Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc120
Bahrain ... Din0.650	Israel ... IS3.50	S.Arabia ... Rls7.00
Belgium ... BFr48	Italy ... L1700	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta145
Cyprus ... C£0.90	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr10.00	Kuwait ... Fils.500	Sweden ... SKr9.00
Egypt ... E£2.25	Lebanon ... S£125.00	Switz ... SFr2.30
Finland ... Fmk7.00	Lux ... LFr48	Taiwan ... NT$85
France ... FFr6.50	Malaysia ... Rlt4.25	Thailand ... Bht50
Germany ... DM2.30	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr120	Morocco ... Dh6.00	Turkey ... L600
Hong Kong ... HK$12	Neth ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr10.00	USA ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,575 Tuesday June 28 1988 D 8523 A

Dollar rise strains US-Japanese relations, Page 6

World News

Commuters killed in Paris train crash

Up to 15 people were feared dead after a rush hour train travelling at high speed crashed into a stationary suburban train at the entrance to the Gare de Lyon station in Paris. At least 40 people were injured and about 20 were believed to be trapped inside the wreckage. Abont 250 rescue workers struggled to pull people from the trains. The collision happened at 7.10pm in an underground level of the station.

Airbus inquest begins

Louis Mermaz, the French Transport Minister, ruled out technical or mechanical failure as the canse of the crash of an Air France A-320 Airbus on Sunday. Page 24. Earlier story, Page 2

Contadora group meets

Foreign ministers and senior officials of eight Latin American countries met in Mexico, under the aegis of tha Contadora Group, to try to boost Central American peace efforts. Shultz in Central America, Page 4

Rabin in Washington

Yitzhak Rabin, the Israeli defence secretary, started a week's talks in Washington. As well as discussing defence projects, US officials are expected to be critical of Israel's human rights record in the occupied territories.

Sihanouk peace formula

Kampuchean guerrilla leaders have agreed on a programme for presentation at talks with Vietnam next month. This envisages the establishment of a provisional government beaded by Norodom Sihanouk. Page 6

Soviet army chief for US

Marshal Sergei Akhromeyev, Soviet Union's second highest military chief, will visit the US in the first two weeks of July.

No elections in Haiti

Lieutenant-General Henri Namphy, who seized power in Haiti in a military coup on June 19, has promised the army will restore civil rights, but ruled out new elections for the moment. Caribbean reaction, page 4

Curb on lie tests

President Reagan signed a bill to prohibit most lie detector tests of employees by private companies.

Danish coalition wobbly

Denmark's coalition government, formed at the beginning of this month following an election in May, has run into trouble over proposed relief for farmers. Page 2

China criticises Cocom

China has criticised the regulations of the Paris-based Coordinating Committee on Strategic Exports (Cocom) as an outdated product of the Cold War.

Hungary-Romania row

Hungarians have demonstrated against Romanian plans to eliminate villages inhabited by the 1.7m-strong Hungarian minority in Romania. Page 3

Philippines bases

Raul Manglapus, the Philippines' foreign secretary, asked the US to recognise that its military bases in the islands served only US purposes and to pay accordingly for their use.

Zambia arrests 'spies'

The Zambian anthorities have arrested two white South Africans suspected of spying against the African National Congress, whose headquarters are in the Zambian capital.

Dukakis manifesto short

The manifesto being put forward by Michael Dukakis, the Democratic Party's candidate in November's US presidential election, will be the shortest statement of what the party stands for since 1932. Page 24

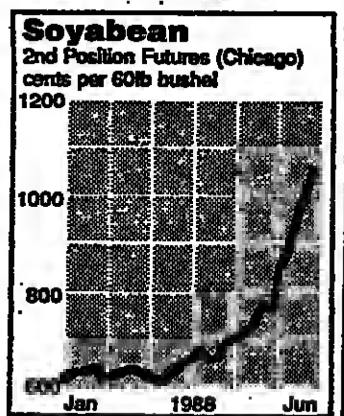
Business Summary

Fort Howard in $3.57bn management buy-out

FORT HOWARD, US paper company and supplier of disposable towels, plates and cups to restaurants and businesses, agreed to sell its business for $3.57bn to a management group backed by Morgan Stanley, Wall Street investment firm. Page 25

EUROPE'S leading public telephone companies agreed a scheme to establish a jointly owned data handling company for the entire area. Page 24

SOYABEAN prices gained ground in Chicago as the scorching drought in the US Midwest continued. Contracts rose the full 30 cent limit for the day with the July contract closing at 1,056.5 cents per 60lb bushel. Commodities, Page 32



LONDON: Worse than expected UK trade figures sent share prices into a virtual free fall, with the market ignoring the potentially positive effects of the falling pound. An attempt by blue chips to rally on the stronger dollar failed as Wall Street opened weakly and the FT-SE 100 index lost 29.8 to 1,841.5. Page 40

TOKYO: The dollar's rise above Y131 re-ignited inflation fears in and dampened buying interest. The Nikkei average ended 121.20 lower than Saturday's close at 27,435.01. Page 44

WALL STREET: The Dow Jones Industrial Average closed down $4.50 at 2,108.46. Page 44

DOLLAR closed in New York at DM1.8217, Y131.12, FFr6.1485 and SFr1.5080. It closed in London at DM1.8185 (DM1.8190), Y130.85 (Y130.60), FFr6.1375 (FFr6.1150), SFr1.5055 (unchanged). Page 33

STERLING closed in New York at $1.7025. It closed in London at $1.7030 ($1.7250), DM3.0975 (DM3.1375), Y222.75 (Y225.25), FFr10.4525 (FFr10.5475), SFr2.5650 (SFr2.5975). Page 33

GATT: Seven countries tabled a detailed programme for negotiating cuts in tariff protection under the General Agreement on Tariffs and Trade. Page 5

PORSCHE, West German luxury sports car maker hit by a slump in its sales, particularly to the US, is dropping its cheapest four-cylinder 924 model produced under contract by Andi in southern Germany. Page 25

TAIWAN: Five of the country's leading banks have applied for government approval to set up branches overseas, but have run into opposition from the finance ministry over proposed locations. Page 27

KOOR INDUSTRIES, leading Israeli industrial conglomerate, declared a 1987 loss equivalent to $253m, more than double the previous record deficit for an Israeli company. Page 29

FRANCE-QUICK, leading French hamburger chain with 80 restanrants, is to take a majority stake in Freetime with 45 restaurants. Page 26

EUROC, Swedish building materials, engineering and trading group, is negotiating the sale of Dynapac, its once-troubled building equipmant snbsidiary recently been put back on its feet. Page 26

Market profiles

A series of world stock market profiles begins today with a look at Swiss markets. Page 44

Gorbachev to press for restrictions on party's role in state

BY QUENTIN PEEL AND CHARLES HODGSON IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, will today propose sweeping changes in the organisation of the ruling Communist Party, to increase democracy and limit the party's role to the state.

He will present plans for multi-candidate elections by secret ballot, restrictions on party officials' tenure of office and non-interference to the running of state enterprises, in the keynote speech of an extraordinary conference of the party – the first to be held for 47 years.

Leading supporters of Mr Gorbachev's *perestroika* reform programma say the Communist Party leader's speech will be a "bombshell," suggesting that he will propose changes going well beyond the "theses" already approved by the party's central committee.

The purpose of the exercise is to make "irreversible" Mr Gorbachev's reforms, still facing resistance from conservatives in the party, and public scepticism.

The key themes of the conference are a reassessment of the economic restructuring launched two years ago, and a major effort to "democratise" the party.

However, he faces an uncertain reception from 5,000 delegates, many of whom are long-serving party officials with an interest in preserving their present power and privilege.

Last-minnte preparations for the conference were being thrashed out yesterday by party chiefs from all the republics, cities, regional and district committees, including the crucial question of who will control the agenda and decide the resolutions to be debated.

The ferment to Soviet political debate in the run-up to the conference continued, with a public suggestion that Leon Trotsky, the most famous heretic of the Stalin era and a key figure of the early Bolshevik years, should be granted judicial rehabilitation.

Another startling suggestion was a proposal by Mr Viktor Afanasyev, the editor of Pravda, the newspaper of the Party's central committee, that the KGB, the powerful Soviet security service, should be brought more under more political control.

Mr Afanasyev, who is seen as more of a conservative than a reformer, was appearing on a party platform to spell out key themes of the conference.

Earlier he promised to reprint in full all the speeches at the party conference, seen by supporters of Mr Gorbachev as a vital element in publicising the debate on the reform process.

Mr Gorbachev's opening address, which he has been preparing in seclusion over the past three weeks, will be televised live but the rest of the conference will be held behind closed doors until the closing session.

Mr Yuri Sklyarov, the party propaganda chief, said this would make it easier for delegates to speak more freely, in what Mr Gorbachev intends should be a process of self-criticism to exorcise. tha cult of secrecy and authoritarianism of the Stalin and Brezhnev years.

Long-time observers were surprised to note that no plenary meeting of the party's central committee was held in advance to approve the party leader's

Editorial comment, Page 22; Azerbaijan unrest, Page 3
Continued on Page 24

GORBACHEV'S OBJECTIVES

- Multi-candidate elections for party posts through secret ballots and a 10-year limit on tenure
- Open debates and decisions taken by majority vote
- Non-interference by party bodies in day-to-day running of state enterprises
- Revived powers for elected bodies – the soviets
- Tougher criteria for party membership
- Partial replacement of Central Committee members between party congresses, by secret ballot
- Creation of single body to oversee party discipline and audit party accounts

Media circus comes to town

BY QUENTIN PEEL IN MOSCOW

AS 5,000 delegates pour into Moscow for tha Communist Party's extraordinary conference, Soviet officials are using the lessons learned from the media circus of last month's superpower summit to handle the unprecedented international interest in the meeting.

The same refurbished press centre, with deep-cushioned seats and the latest West German devices for simultaneous translation, has been taken over by the central committee's propaganda department.

A huge golden image of Vladimir Lenin – the only father of the revolution left with an untarnished name – has been erected for the benefit of the television cameras.

Sober-suited bureaucrats have forced themselves to face the world's press, and even to reveal a few party secrets.

In the streets, the red banners of May Day are up again, this time emblazoned with the key number every good Soviet citizen must take to heart: XIX for the 19th party conference.

Yct the ncw mood of self-criticism means that even the slogans are not immune. Mr Nail Bikkenin, editor of Kommunist, the party's ideological journal, said they were "loquacious and grandiloquent mottoes," quite apart from being impossible to read from a passing car. Mr Bikkenin was sitting beside the cadaverous Mr Yuri Sklyarov, head of the party propaganda department, when he said it.

The party faithful has commandeered the central committee hotel, and even the Rossiya, a 6,600-bedroom monstrosity built right outside the Kremlin walls by the now-reviled Leonid Brezhnev.

The delegate list looks like a peculiar mixture of the old and new: a few the product of mass rallies summoned to reject a corrupt and self-serving party bureaucracy – like those from Sakhalin island, to the easternmost corner of the Soviet empire – while others are just as carefully pre-selected as for any party rally since the days of Joseph Stalin.

Mr Mikhail Gorbachev has appealed for staunch supporters of his perestroika process to be sent. Yet from Leningrad, the Soviet Union's second city, only 11 of the 176 names represent science, teaching, writing, art and culture, the most loyal backers of reform.

The Leningrad list includes 17 government men from Moscow, 44 full-time party officials, the Komsomol, its youth wing and the trade unions. Seven come from the military and the KGB, 21 are top managers of state enterprises or institutes. Others are selected members of the working class, and some are from agriculture.

The conference agenda, resolutions to be discussed, and even the length of time it is to last, are being quiet until the last moment. Soviet television will resume as normal on Saturday, but state radio appears to think it will go on until Sunday. That at least smacks of good old-fashioned secrecy, quite apart from confusing the opposition.

European leaders inch towards closer monetary co-operation

BY DAVID MARSH, DAVID BUCHAN AND WILLIAM DAWKINS IN HANOVER

EUROPEAN COMMUNITY leaders last night appeared to be inching towards agreement on setting up a high-level study group into improving European monetary co-operation.

West Germany, hosting the EC summit, was trying to engineer a compromise bridging strong differences over a common European central bank between, on the one hand, the UK and, on the other, France and Italy backed by the EC Commission.

Mr Helmut Kohl, the West German Chancellor reminded his fellow heads of government of the eventual goal of economic and monetary union. Optimism about the Community's momentum towards market integration was, however, punctuated by a warning from Mr Kohl that by removing internal barriers, EC member states might become more vulnerable to terrorism and drug trafficking.

Mr Jacques Delors, European Commission President, also highlighted the need for parallel moves to improve labour conditions for Europe's workforce. He was strongly supported to this by President François Mitterrand.

On monetary co-operation, a compromise German proposal was that EC central bank governors should over the next year examine possible stepping-stones towards monetary union. UK officials suggested that Mrs Margaret Thatcher, the British Prime Minister, would not oppose such a study, provided its mandate did not centre on investigation into a European central bank.

France, though favouring a more full-blooded move towards currency union, appeared likely to go along with the German suggestion. Mr Mitterrand said it was necessary to develop the EMS further, towards the creation of a central bank. Mr Ciriaco De Mita, Prime Minister of Italy, urged rapid progress towards a European monetary authority.

Mr Hans Dietrich Genscher, the chief proponent to the Bonn Government of a central bank, said a European-level central bank was "essential," and he predicted it would be created within ten years.

Mrs Thatcher spoke up for British interests in calling for more progress in liberalising financial services, transport, telecommunications and public purchasing. Sha warned against detailed social legislation at the Community level, such as rules on worker participation in company management, arguing that these sort of issues were best dealt with by national authorities.

Morgan Stanley analyst on dealing charges

By James Buchan in New York

MORGAN STANLEY, the blue-chip US investment bank, was yesterday caught up in Wall Street's insider trading scandals with the filing of major civil charges against a young securities analyst at the company.

The claim by the Securities and Exchange Commission that it had uncovered a multi-million dollar insider trading scheme involving Mr Steven Wang, a mergers and acquisitions analyst at Morgan Stanley, is an embarrassing blow to a firm long regarded as the best managed and most reputable of all Wall Street houses.

The case, which the SEC says is its biggest since the Ivan Boesky affair two years ago, ends a lull in Washington's wide-ranging investigation of Wall Street.

There has been speculation that the SEC did not want to unsettle financial markets immediately after October's crash.

Mr Gary Lynch, head of enforcement at the SEC, said yesterday that the agency had asked a federal court in New York to force Mr Wang, 24, and Mr Fred Lee, a 38-year-old Taiwanese businessman, to disgorge $19m in illegal profits and pay triple that sum in damages. It was not clear yesterday whether Mr Rudolph Giuliani, the US Attorney who is handling a parallel criminal investigation into Wall Street practice, would seek criminal charges against the two men.

According to the SEC complaint, which was filed yesterday in the New York court, Mr Wang passed "material non-public information" about takeovers and other price-sensitive corporate developments to Mr Lee after he joined Morgan Stanley's high-flying mergers and acquisitions department in March 1987.

From at least that July, the SEC says, he passed inside information on about 25 stocks, including E.F. Hutton (which was bought by Shearson Lehman), Stop & Shop (which went private) and Fedarated Department Stores, which was bought by Campeau of Canada.

The SEC said the allegations followed investigations by the New York Stock Exchange and other exchanges into suspicious price movements. The case is not based on information provided by Mr Ivan Boesky, the imprisoned arbitrageur who turned state's evidence as part of his plea bargain two years ago.

The bank immediately suspended Mr Wang and said it would consider possible legal action against Mr Wang and Mr Lee.

UK trade deficit may force new rise in base rates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

PRESSURE ON the UK Government to raise interest rates for the fourth time this month intensified yesterday as official figures revealed a dramatic deterioration in Britain's current account deficit to a record £1.2bn ($2.04bn) in May.

London's financial markets expect a rise to base rates from the present 9 per cent to 9½ or 10 per cent later this week – most probably today – following a slump in sterling's value in response to the figures. The pound fell by 4 pfennigs against the D-Mark to its lowest level since March.

Share and gilt-edged prices also fell sharply as the size of the deficit reinforced fears that buoyant demand in the economy is leading to inflationary "overheating".

Building societies and banks have made it clear that they would respond to any further base rate increase with a rise in mortgage rates. That, in turn, would absorb part of the Budget tax cuts which have been boosting pay packets in Britain during the last week.

Mr Nigel Lawson, the Chancellor of the Exchequer, who yesterday delivered an upbeat message on the Government's privatisation programme to a conference in London, gave no clues to his intentions on borrowing costs.

The Treasury said the monthly figures should be treated cautiously because of their erratic nature and the frequency of revisions. It added only that it would not tolerate an inflationary depreciation in the pound's value and that "monetary conditions" would be kept appropriately tight.

Whitehall officials said the Government was anxious yesterday not be seen to have been "panicked" into a base rate rise in the immediate aftermath of the trade figures. They would not, however, rule out such a move within the next few days.

They acknowledged also that despite public reassurances that the worsening deficit reflected the relative strength of Britain's economy, there was serious official concern over the pace of deterioration.

That concern was likely to strengthen the Treasury's resolve in resisting claims from other departments for up to £10bn of additional spending allocations next year.

Mr Bryan Gould, the Labour Party trade and industry spokesman, said that the latest figures showed that Britain now faced a "balance-of-payments crisis". He added that a rise to interest rates would be the worst possible Government response.

The May current account deficit, twice the level expected in the markets, took the cumulative gap for the first five months of this year to £4.7bn, compared to the £1.7bn deficit during the whole of 1987. The Treasury acknowledged again that its Budget forecast of a £4bn shortfall in 1988 is now out of date. It gave no new estimate but many City economists are now predicting a figure of around £10bn.

The widening trade gap to a large extent reflects a continuing surge in imports, triggered by still-buoyant consumer spending and an apparent upsurge in investment. Separate official figures released yesterday show that consumer spending is being underpinned by rapid rises in personal incomes. After adjusting for inflation, incomes were 5½ per cent higher in the first quarter than a year earlier.

Background, Page 9

US markets fall

BY JANET BUSH IN NEW YORK

US EQUITIES and bonds fell sharply yesterday, reflecting concerns about rising world interest rates, a decline in the dollar after reported US Federal Reserve intervention on foreign exchanges and surging commodity prices.

On the New York Stock Exchange, the Dow Jones Industrial Average lost 34.50 points to close at 2,108.46. US bond prices were quoted more than a full point lower to late trading with the Treasury's benchmark long bond quoted 1 1/4 point lower for a yield of 8.96 per cent.

The dollar was quoted at Y131.15 and DM1.8215 compared with earlier highs of Y131.70 and DM1.8300 before the Fed apparently sold dollars.

Both markets have been undermined by higher interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve's policy-making Open Market Committee. The Fed is generally expected to keep monetary policy on hold after its substantial tightening moves in recent weeks. However, economists believe they stand prepared to force interest rates higher if inflationary pressures start to build further.

CONTENTS

WHY THE VOTERS FIND IT HARD TO LIKE VICE PRESIDENT GEORGE BUSH

A perception of the Republican candidate's shortcomings has spread across the US, Page 23

Remarkable turnaround for flamboyant Delors

BY DAVID BUCHAN IN HANOVER

IN A remarkable political turnaround, Mr Jacques Delors will this morning be officially renominated as EC Commission president, becoming the first man to do more than four years in the job since the Hallstein era nearly a generation ago.

After a purely courtesy consultation with European parliament leaders this morning EC heads of government will reveal their decision to endorse Mr Delors for a further term.

But only five months ago, the temperamental 62-year-old Frenchman was on the verge of offering his resignation, an offer which many EC governmeots might then have been happy to accept. Indeed at one Commission meeting in January Mr Delors, roundly and personally, abused his colleagues for their lack of support.

Petulance, however, gave way in February to pride, as the West German presidency and Mr Delors pushed through the five-year reform of Community spending and financing, known as the Delors package. This crucially changed both Mr Delors' attitude to his job and EC leaders' attitude to Mr Delors.

Mrs Thatcher, for instance, liked the rumours that Prime Minister Ruud Lubbers of the Netherlands, her close ally in the February budget struggle, was considering a bid for the Commission president. But, once these rumours proved groundless, Mr Delors became a perfectly acceptable second choice for the UK.

This is despite the fact that Mr Delors retains some very French worries about the Community not being sufficiently protective

Delors : happy return

of its trade, rural society and even culture.

The subsequent West German success in putting the budget reforms and many key internal market measures – including capital liberalisation (falling into Mr Delors' monetary dossier in the Commission) – on the Community statnte book has put iocreasing epring into Mr Delors's step. Far from losing interest in the EC, Bonn seemed to join France – or in this case one Frenchman – in putting the Community back on the road.

Mr Delors's presidency may last for only two more years from January 1. Commissioners' terms are four years, but those of presidents are only two years. It is hard to see him serving six years, or continuing to serve in the Commission in some capacity other than president.

If there is a favourite to succeed him, at this remote stage, it is Mr Martin Bangemann, the West German Economics Minister who moves to the Brussels Commission in January. Chancellor Helmut Kohl hinted at the weekend that Germany should have the next turn at the job.

Behind the scenes Mr Delors has been quietly pushing the need for stronger monetary co-operation – because he believes Europe needs it, becausa he wants the Commission to become an institutional part of the setting of European monetary policy, and because he is personally interested in the subject. Much here will depend on the outcome of the Hanover summit.

But Mr Delors, responsible for monetary affairs to the Commission as well as president, has attended monetary gatherings in Basle far more frequently than his predecessors. Part of his enthnsiasm to be personally involved to a new EC monetary study stems from his disappointment at not being allowed to attend finance ministers' meetings of the G7 industrialised countries.

Mr Delors also wants to put a "social" accent on the remainder of his presidency. His curious background is that of a money man (Banque de France director and then Finance Minister) with strong trade union links. He says he is concerned that trade unions could yet jeopardise the EC internal market programme, if they feel their interests are being sacrificed to those of big business.

Worker conditions highlighted

BY WILLIAM DAWKINS IN HANOVER

THE EUROPEAN Commission yesterday called on EC leaders to put fresh emphasis on improving workers' conditions in the campaign to scrap all internal trade barriers by 1992.

The declaration was made at the EC summit by Mr Jacques Delors, Commission president, a few hours before he was widely expected to be re-elected for a second term as head of the Brussels executive.

It was seen as an attempt to set out new priorities, such asimproving worker consultation, that could lead to a significant change in focus for the so far business oriented single market programme.

He won the full support of Mr Andreas Papandreou, the Greek Prime Minister, due to take over the EC Presidency next month from Mr Helmut Kohl, the West German Chancellor, but ran into criticism from Mrs Maragaret Thatcher, the UK Prime Minister. Mr François Mitterrand, the French President also said that he could not associate himself with an internal market that lacked "a social plan."

Bonn's six-month presidency has made nnexpectedly good progress on dismantling trade barriers, for which it won praise yesterday both from Mr Delors and from Mrs Thatcher. But it has made less impact on social legislation, an area which Mr Kohl would now like to see pushed forward under the Greek Presidency.

Mr Papandreou said that his big priorities would be reducing unemployment, and improving pensions and medical care. "What the Greek Presidency will seek is to talk about social matters," he was reported as saying on his way to the summit.

The Commission President singled out as a top priority recently tabled proposals for a European company statute, that would lay down different degrees of staff participation. While the statute would only be optional, Commission officials said that Mr Delors sees it as a step towards selling the advantages of a single market to employees.

Mr Delors' manifesto is likely to win EC leaders' broad support in their final communique today, if only because it is uncontentious.

Any attempt to add more substantial proposals at this stage would increase the scepticism already being voiced yesterday by Britain, supported by the Netherlands, officials warned.

Mrs Thatcher warned against creating unnecessary regulation. She stressed that worker participation should be a matter for companies, rather than laid down in law, though she did not signal outright opposition to Mr Delors' plan for an EC company statute.

She preferred increasing staff ownership and argued that dynamic encomic policies were the best way to improve social conditions. The increase in wealth in the UK under her own Governments had enabled Britain to do more for social welfare than before, she said.

Mr Delors also called for accords on boosting free competition for the EC's 550bn ecu annual public procurement market, more in line with the traditional business slant of the 1992 plan.

Here member states are close to an accord on moves to enforce wider international bidding for public works contracts and have just started considering Commission plans to extend free bidding to energy, telecommunications, water and transport, now excluded from EC competition rules. The Brussels executive will pnblish a half-way report the progress of the single market in November.

Call for EC-wide crime squad

BY WILLIAM DAWKINS

EUROPEAN Community leaders were last night due to consider stepping up joint action against the growing tide of international crime.

Mr Helmut Kohl, the West German Chancellor, was expected, said officials, to propose to his fellow Community leaders the formation of an EC international crime squad modelled on the US Federal Bureau of Investigation.

The idea was expected to get a sceptical reaction from Mrs Margarate Thatcher, the UK Prime Minister, who sees no point in duplicating existing forms of EC anti-crime co-operation.

Bonn was also seeking a consensus on how member states are to maintain the quality of frontier security in the run-up to the 1992 target for the dismantling of EC internal border controls.

Bonn was likely to achieve its aim of getting a joint declaration on boosting efforts against terrorism, including the work of Trevi, the group of EC Justice Ministers which co-ordinates work against all kinds of international crime, said German officials.

But the move was expected to nnderline the rift between Britain, which insists that strong frontier controls are essential to curb cross-frontier crime, and the European Commission, which wants to scrap all border controls and argues that terrorists do not respect frontiers.

British officials drew attention to existing Trevi accords on exchanging information on the movement of criminals and work now going on to seek an EC-wide agreement on cocnfiscating terrorists' bank accounts.

● Reuter reports from Frankfurt: European Community environment ministers began a two-day conference on water pollution yesterday, with West Germany urging a radical rethink of the bloc's approach to the problem.

"Our policy to date has been too slow, too loose and ineffective," Bonn's Environment Minister, Mr Klaus Toepfer, said. "The aim of the conference is to re-assess the Commnnity's whole water pollution philosophy."

A recent ecological disaster in the North Sea, where a slick of algae fed on toxins dumped in the sea devastated marine life, had highlighted a major problem, he added.

A gendarme searches through the smoking wreckage after Sunday's crash of an Airbus A-320 aircraft

Ustica disaster shrouded in mystery after eight years

BY JOHN WYLES IN ROME

THE EIGHTH anniversary of the Ustica air disaster, which cost 81 lives, passed yesterday with few suspicions yet dispelled that Italy's political and military authorities are hiding the truth about the cause.

But tenacious pressure by the families of the victims is maintaining pnblic interest in the mystery and forcing the politicians to react. Mr Ciriaco De Mita, the Prime Minister, and Mr Valerio Zanone, the Defence Minister, last week passed government files to the investigating magistrates, saying they were not covered by any security classification.

But security reasons have been cited in the past for withholding files, and the fact that clearance has now been given merely strengthens suspicions that all compromising material may have been "sterilised."

The Itavia flight from Bologna to Palermo crashed into the sea on the evening of June 27 1980 near the island of Ustica, north of Sicily. Theories of a mechanical fault were sustained for some years despite the discovery in wreckage of an explosive material used in some missiles.

The missile theory is now the one most widely entertained by the press and victims' families, but the questions of whose missile, and who fired it on whose orders, remain unanswered.

The French underwater recovery company Ifremer has recovered large portions of the DC9 wreckage in the past 12 months, including its two flight recorders, and aeronautics experts are now examining it. Their report is due in September and should determine whether the aircraft was shot down.

The sense that something extremely untoward took place was compounded by the discovery nearly three weeks after the disaster of the wreckage of a Libyan Mig fighter in the hills of southern Calabria. Pathologists then estimated the time of the pilot's death at around July 18, but six years later one said the body was in such an advanced state of decomposition that it could well have been June 27.

Some theories held that the Mig had shot down the civil aircraft, others that it was being chased by Italian or Nato planes, or other Libyan aircraft who had accidentally fired on the DC9 in pursuit of their prey. But US, Italian and French military authorities have all denied that any of their aircraft were active above Ustica that night.

Radar evidence has been mysteriously missing for years but last week Mr Zanone said that he had been assured that all relevant tape recordings still existed and could be examined by the magistrates. An anonymous caller to a television programme on the Ustica affair claimed last month that he had been on duty at the Marsala military radar base on the night of the disaster.

"I saw everything but the next day our officer told us to mind our own business and to forget everything that happened," he said before ringing off.

Airbus hoping for swift result from crash inquiry

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE will be hoping for a swift result from the accident investigation which began almost immediately after the crash of one of its A-320 aircraft on Sunday afternoon.

The consortium's hopes that the aircraft itself would not be blamed were raised yesterday when Mr Louis Mermaz, the French Transport Minister, discounted a systems failure, but stopped short of blaming the pilots.

"No evidence at present throws doubt on the proper functioning of the plane," he said.

The accident, at Habsheim airport near Mulhouse in France, occurred when an A-320 ploughed into the trees during a low fly-past. Despite Mr Mermaz's intervention it has thrown doubt on the credibility of what has been proclaimed as not only the most technologically advanced airliner yet, but also the safest to fly.

Accidents to airliners during their development programmes are not unknown, but they are rare so soon after the award of a Certificate of Airworthiness and entry into service. The A-320 began passenger services in April following many hundreds of hours of detailed ground and air testing.

The A-320 embodies a wide range of technological firsts, particularly the computer-directed "fly-by-wire" control system hitherto restricted to military fighter aircraft. This means that many existing and potential customers will want to be reassured swiftly that the aircraft is as safe as has been claimed.

Until last Sunday, the A-320 had won total commitments for 522 aircraft, worth well over $20bn (£11.2bn), and involving 23 customers, including airlines and leasing organisations, with 319 aircraft firm, 164 on option and 39 covered by other arrangements.

Such an order book is supported by a vast web of manufacturers reaching down from the main partners – Aerospatiale and Deutsche Airbus (each 37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent).

Further down the chain are engine companies such as CFM International (jointly owned by General Electric of the US and Snecma of France), which builds the CFM-56 engine for the A-320, and International Aero Engines, building the rival V-2500 (about to be flight-tested in the A-320). There are also hundreds of smaller component and equipment suppliers.

Together with other Airbus models still in quantity production – the A-300 and A-310 – output of Airbuses in 1988 will amount to about 60 aircraft, of which the A-320 will account for about a third.

But deliveries of all Airbuses will build up quickly, and top the 100-aircraft-a-year mark to 1989, with A-320s accounting for well over half that, and will rise progressively thereafter, reaching a peak of about 175 aircraft a year by 1994 (on current planning), of which again about half will be A-320s.

By that time, however, the first of the new Airbus models, the twin-engined high-density medium-range A-330 and the four-engined long-range A-340, will also be in production.

Those new ventures, for which there are commitments for 145 aircraft from 13 customers, will also embody mnch of the advanced technology carried by the A-320, which is another reason why Airbus needs to know as soon as possible whether its philosophy of putting so much emphasis on compnter t niques in its airliners is corr

At the same time, the com cial credibility of the organ tion itself has been in doubt, because of its lack of profit ity, even though it has won t commitments for all its model over 900 aircraft so far, because of a fierce battle with US Government, still unresol over allegations of unfair con tition in world markets.

These problems have given in recent months to con among the partner governm in the venture, and even an the consortium's member co nies, with British Aeroa (which makes the wings fo Airbuses) in particular rece reporting losses of £38m on bus work.

Because of the difficultie obtaining datailed statistic the consortium's financial s tion, the governments were cerned that Airbus might tinue making heavy losses require further substantial support.

Airbus has said it hope become profitable around mid-1990s, but this year the n ber governments moved to a erate this by requesting a fi cial restructuring.

This in turn followed a re from a special committee "Four Wisa Men") wh suggested that such reorgar tion was necessary to ens much greater financial trans ency and greater financial trol. The restructuring is un way, with the aim of chan Airbus from a Groupement térêt Economique to some of public limited compan the Airbus board is due to back to the ministers of t countries involved later th mer.

A-320 computerisation on tria

BY MICHAEL DONNE

DURING their efforts to discover the cause of the A-320 crash on Sunday, the investigators from the French accident inquiry bureau will be primarily trying to ascertain whether any failure of the aircraft's extensive computerised control systems was responsible.

Yesterday Mr Lonis Mermaz, the French Transport Minister, discounted a computer systems failure as the cause, but if one does prove to have been responsible, Airbus is in serious difficulties. It has pinned its entire A-320 programme – and that of other new models, such as the forthcoming A-330 medium-range jet and A-340 long-range jet, now under development – on the use of extensive computerisation as a means of flying more economically and safely than ever before.

The entire A-320 programme has been marketed, with considerable success, on this basis. To have to change now because of a failure in the computer systems would be near-disastrous for Airbus, delaying its A-320 production plans, and giving its rivals, Boeing and McDonnell Douglas, a big boost in world markets.

The heart of the A-320 is its "fly-by-wire" or "fly-through-computer" system, in which computers and electronic impulses replace mechanical cables as the link between the pilots and the moving surfaces of the wings (allerons and spoilers) and the tail (elevators) that control the aircraft's attitudes during flight.

These have previously been used most extensively in fighter aircraft (although limited use has also been made in Concorde and the earlier A-300 and A-310 Airbuses), but the A-320 is the first airliner to make an integral feature of them.

Airbus has justified this by claiming that their benefit is the increased safety such electronic systems bring, adding that with them the A-320 "is physically prevented from potentially dangerous manoeuvres – such as stalling, flying too fast, or excessively violent manoeuvring".

Moreover, claims Airbus, the fly-by-wire system's response "is both faster and more powerful than that of a conventional aircraft", especially in emergencies.

All this is now open to question, especially since the pilot of the crashed aircraft has claimed that he tried to boost engine power, to clear the trees at the end of the Habsheim runway, but that the aircraft failed to respond.

Airbus remains quiet[?]dent. It points out that t fly-by-wire system incl computers, and that any four of those is capable o the aircraft safely on its ow fifth provides control in only).

These computers are of two ferent types – three cover spoilers and elevators and cover the elevators as well as allerons.

Airbus says the system w tested over 1,650 hours in nea 800 flights before certification passenger service, and th included bombarding the syst with "a spectrum of differe radio and radar waves.

"The aircraft successfully withstood all the abuse, givi Airbus Industrie and its partn confidence in the aircraft and future."

Airbus refrained from co menting on the possible causes the crash. But the television fi of the accident appears to in cate that the pilot was flyi unusually low over the runw at Habsheim, and there ha been suggestions that despite t sensitivity of the fly-by-wire co trols, it might have been too la to rise above the trees at the e of the runway.

Danish coalition runs into early problems

BY HILARY BARNES IN COPENHAGEN

DENMARK'S coalition government, formed at the beginning of this month following an election in May, has already run toto serious trouble in the Folketing (Parliament).

Yesterday it failed to win promises of support from the Progress Party for a group of measures to relieve heavily indebted farmers, which means it cannot be sure of a majority for the measures whan the bill comes up for its final reading on Thursday.

Prime Minister Poul Schlüter's minority government – of the Conservative Party, the Liberal Party and the Radical Party – has only 67 seats in the eight-party, 179 eeat Parliament. It turned to the Progress Party at the weekend after failing to win support for its measures from the opposition Social Democrats last week.

Political commentators doubt whether a majority will actually vote against the Government's agricultural finance measures, as no-one wants another election to the immediate future.

But the Government's inability to negotiate a compromise is seen as a bad omen for the autumn session of the Folketing, which re-opens in October, after breaking up at the end of this week.

Cyprus in campaign to boost investment

BY OUR CORRESPONDENT IN CYPRUS

THE CYPRIOT authorities have launched a world-wide campaign to attract more foreign investors in a bid to turn the island into a business and trade centre in the eastern Mediterranean.

Mr Afxentis Afxentiou, governor of the Cyprus central bank, yesterday presented a new publication entitled "Cyprus, a guide for foreign investors" and said the recent customs union agreement between Cyprus and the European Community created a favourable climate for the increase of foreign investments here from EC member countries.

To this end, the government of President George Vassilion has simplified the procedure concerning the legal and regulatory framework applicable to foreign investments, stressing that the exchange control, tax and the companies laws are similar to those of the UK and maintaining that the overall level of taxation here is less than two thirds of the average to other countries.

More than 600 offshore enterprises already operate on the island, inclnding 15 offshore banking units, while there are nearly 2,000 vessels on the Cyprus register, but direct foreign investments in the past five years reached only Cyprus £16m (£19m).

Angry villagers protest at slow Turkish rescue

ANGRY villagers stoned tru and hurled abuse at rescue wo ers yesterday in protest at pace of relief operations afte landslide five days ago, a sen Turkish regional official sa Reuter reports from Ankara.

Mr Erkan Isilgan, Deputy G ernor of Trabzon Province, s that police and para-military g darmerie troops calmed the p testers in the eastern village Catak after several vehicle w dows were shattered.

One protester, quoted by Anatolian Naws Agency, sa "The work machinery is doing anything. Officials are working as they should. Let work, let us dig."

The agency said police re forcements were sent to the a after the incident, during wh Catak village headman R Yavuz pulled a gun after he w mauled by protesters.

Most of Catak, including p of a highway lined with stranc vehicles, was buried unc tonnes of mod and rock l Thursday.

European telecoms market warned on overseas suppliers

BY TERRY DODSWORTH

THE EUROPEAN telecommunications market may become more vulnerable to overseas equipment suppliers as a result of the European Community's moves towards more standardised networks within the region, Mr Cor Wit, director-general of the Netherlands Telecommunications Authority, said yesterday.

Mr Wit, who was speaking in London at the FT conference on telecommunications and the European business market, said that Japanese manufacturers in particular were expected to respond quickly to the development of the planned new integrated voice and data network in Europe.

It was unlikely, he added, that European producers would be able to balance these sales by penetrating the Japanese market, where buying from foreigners was regarded as "the act of a traitor. The flow in the opposite direction will be of little significance, because no Western European company has the courage to produce substantially for the Japanese market."

Mr Wit also warned against over-hasty investment decisions in new cable systems and telecommunications networks. Europe needed to be careful about the introduction of integrated voice and data oetworks, and also to control investment in cable television, to ensure compatible systems in the future, he said.

Mr Roland Linderoth, director of product development at Volvo, said that, from the point of view of user improvements in telecommunications, services were being achieved extremely slowly. Users wanted stronger competition, more predictable tariffs, services that were barmonised across Europe, higher quality, and more etraightforward type-approval rules.

Tariffs on international leased lines, he said, were particularly high, while quality was unnecessarily low.

"If you get a fault on an international leased line it is a huge administrative headache to find the problem and correct it. It can take days when it should be a matter of hours or minntes."

The trend towards internationally accepted standards has led to an totensified struggle for market share in the telecommunication industry, said Mr Ingemar Nilsson, vice-president of Ericsson's UK operation. The world's top six suppliers had taken a larger market share in the past five years and this trend would continue, he said.

Dr Ian Dewis, director of Butler Cox, the telecommunications consultancy, said telecommunications managers in large organisations would in future act more like brokers – satisfying the

FT CONFERENCE

Telecommunications

needs of the business from external as well as internal forces.

This greater willingness to buy in services would be the result of increased demand by eventual users who wanted new applications to give them a competitive edge and were not particularly worried about costs.

The decentralisation of intelligence in telecommunications and computer systems away from central switches and main frames would have profound effects on many business decisions, according to Mr Peter Gershon, managing director of STC telecommunications. Attitudes on where activities should be located, on bow business should be organised to take account of information flows, and on what services should be provided in-house, would all be affected.

Mr Gershon said deregulation and privatisation had given a spur to the development of intelligence telecommunications services in the UK and this meant the UK was well placed for the opening-np of the European market.

The problems of insufficient standardisation in Europe were highlighted by Mr Colin Palmer, development director of Thomson Holidaya, the tour operator which has recently established a trans-European data network. National differences to technology and regulations had cost "more time, energy and money than you care to think."

Mr Colin Davis, managing director of Cellnet, said the rapid increase in the use of mobile telephones in Europe could lead to a market that leased 10m subscribers by 1995. By the year 2000 it could have risen to 20m.

To achieve these figures, he added, would require efficient operators and suppliers, along with adherence to the agreed timetable for introducing the planned new pan-European digital mobile network. At the same time, it would require the release of further radio frequencies to add capacity to cellular systems.

Many European capital cities would need substantial additional frequencies well before the end of the century, he said.

Mr Jean-Philippe Gallant, director of telecommunications strategy at IBM Europe, said the liberalisation and standardisation of international telecommunications services would facilitate development of electronic trading between companies on an international scale. This was such a complex market place, however, that it would demand alliances and multi-relationships between different companies.

Sir Donald Maitland, chairman of the conference, said a series of international meetings this year would make it an important period for the development of telecommunications in Europe.

These discussions would raise the issue of the degree of regulation to which the industry should be subjected – whether controls should be restricted to the basic services of telephone and telex, or whether regulations should be enforced on all types of international services.

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EUROPEAN NEWS

Revolutionary force in Hungarian business world

WHEN Mr Janos Kadar, Hungary's Communist Party leader, was swept out of office last month, Western commentators were taken aback by the abruptness of the change.

Less widely reported was the appointment to the politburo of Ms Ilona Tatai, managing director of Taurus Rubber Company. But that was also significant as a clear endorsement of management methods that have scarcely been tried elsewhere in the Eastern bloc.

With six plants in Hungary, warehouses and sales offices in Scotland and West Germany, and a partly-owned US subsidiary, Taurus is a world force in tyres and industrial rubber products. It employs 10,000 people and exports half its output.

Such international prominence is rare for a Comecon enterprise. What makes Taurus even more unusual is its use of Western management theory in devising corporate strategy.

Ms Tatai was an innovator long before Mr Mikhail Gorbachev, the Soviet leader, committed himself to greater convergence between Comecon and the West.

Now that Moscow and several of its allies are seeking to act on that commitment (by encouraging joint ventures, promoting independence and accountability among managers, introducing the concepts of profit and bankruptcy, and working towards a convertible currency), Taurus provides an important case-study.

In 1981, the company was among the first in Hungary to be given the right to export and import on its own account.

Taurus not only set up direct contacts with Western export markets, it created foreign subsidiaries. In the US, Taurus established a joint-venture import/wholesale company with an American entrepreneur. It has since carved out a slice of the US replacement market for truck steel radial tyres.

It established warehouses and sales and service facilities in Aberdeen, Houston and Hamburg to serve offshore oil customers for its sophisticated rotary hoses.

In January 1986, Ms Tatai volunteered Taurus for a World-Bank-sponsored "structuring programme," to be devised with help from Western consultants.

This involved making Taurus more competitive in international markets, designing a portfolio strategy, and internal reorganisation.

Supporting investments in equipment, information systems, quality control, energy saving and laboratory tools would then become eligible for World Bank financing.

Ms Tatai faced an entrenched corporate culture. The very idea of competitiveness was a novelty in Hungary, where most companies have had monopoly positions in the home market. The traditional focus was on gross output, rather than costs or profit. Taurus had never measured how efficiently it used materials, energy, labour and capital compared with international competitors.

In fact, it lagged behind Western producers markedly. By analysing its position, management

John Lindquist on a Comecon company leading the way in adopting Western management methods

was able to reduce Taurus' high unit energy consumption and material scrap rates. Prodnct weights, which were typically 10 per cent heavier than those of competitors for similar performance, are now being cut.

But Hungary's system imposed constraints. Part of the reason for low productivity was a high turnover of labour - 50 per cent a year among Budapest employees, against 10 per cent for European Community rubber producers.

For Taurus, the heart of the restructuring was to formulate a portfolio strategy: to focus on areas of competitive advantage and cut back on less profitable activities.

This proved to be a difficult process, given the unfamiliarity of the notions of competitiveness and profitability.

Although cost and profitability data had been collected for several years, they had never seriously been used to allocate resources.

The idea of focusing activities more narrowly ran up against a sense of national duty to supply the domestic market with a complete range of products.

To design a portfolio strategy, Ms Tatai carried out an unprecedented exercise in internal *glasnost*. Managers in every department were invited to evaluate the strengths and weaknesses of each product line.

This helped identify products where Taurus was internationally competitive - radial tyres and air springs for trucks and buses, and rotary hoses for the oil industry. Capitalising on a large home market (Hungary's Ikarus is the world's largest bus manufacturer), Taurus achieved the economies of scale necessary to carve a niche in the world market.

Reviewing product strategy enabled Taurus to respond to competitive threats. For example, in rubber camping mattresses, a product where Taurus exported over 80 per cent of production to the West and held a 20 per cent world market share, it suddenly faced a low-cost competitor, China.

Taurus devised a response that was typical of Western companies: concentration on quality and design, promotion of its "Palma" brand name, and a focus on up-market specialised camping goods.

The third component of the restructuring programme was internal reorganisation. Ms Tatai's goals were to make Taurus more flexible, more responsive to the market, and to reinforce the prodnct gronp strategies.

Like other Hungarian companies, Taurus was highly centralised and organised functionally.

Decisions were pushed upwards, or postponed. Ms Tatai reduced the number of direct reports, cut overheads, and set up profit centres with performance incentives for managers. This year workers will be able to buy non-voting shares, tied to profit performance.

Ms Tatai's efforts have changed the corporate culture. There is more internal debate and self-criticism, and throughout the company, people are more willing to take responsibility and show initiative.

If the political wind in Eastern Europe continues to blow the same way, there is every reason to expect that the Taurus experiment will be repeated. The evidence allows room for cautious optimism.

John Lindquist was involved in the Taurus restructuring in his capacity as a partner in the Boston Consulting Group

Hungarian row with Romania escalates

By Leslie Colitt in Berlin

A SMOULDERING ethnic conflict between two Warsaw Pact neighbours, Hungary and Romanie, grew yesterday as tens of thousands of Hungarians staged a mass demonstration in Bndapest against Romanian plans to eliminate villages inhabited by the 1.7m-strong Hungarian minority to Romania.

The demonstration was organised by the opposition Democratic Forum (MDF), but is being supported by the Hungarian anthorities. Hungary has protested bitterly in recent weeks over severe discrimination against its ethnic cousins in Transylvania. Budapest has given temporary residence permits to more than 5,000 Romanian citizens, mainly ethnic Hungarians, who sought asylum in the past year.

The dispnte between Hungary and Romania is one of the bitterest between two Warsaw Pact neighbours ever to have been brought into the open.

The demonstration began in the evening with a rally in Heroes Square in central Budapest. The capital has been awash with unofficial leaflets calling on the people to attend the demonstration.

Some of the placards they carried called for national rights in Romania and an "end to dictatorship".

Following a speech and the reading of a memorandum to be handed to the Romanian ambassador, a torchlight procession proceeded to the Romanian embassy.

The Hungarian authorities sought guarantees from the organisers that anti-Romanian slogans would not be chanted near the embassy and that there would be no violence.

Organisers of the demonstration spoke of rumours that Romania had sent agents to Budapest to stir up Hungarians. Several forged leafleis with nationalist and irredentist slogans were discovered bearing the initials MDF which were believed to be a Romanian "provocation".

Hungary ruled Transylvania until 1918, when it was ceded to Romania. Budapest was briefly awarded the region by Nazi Germany in 1940.

SOVIET COMMUNIST PARTY EXTRAORDINARY CONFERENCE

Gorbachev faces test on democracy

BY QUENTIN PEEL IN MOSCOW

THE MOST contentious and critical issue for Mr Mikhail Gorbachev at the extraordinary conference of the Soviet Communist Party, which starts today, is how to bring genuine democracy into the rigid bureaucratic structure of the party itself.

The party leader has already spelt out a string of proposals in the 'theses' for the conference, approved in advance by the central committee but largely written by him, and he may well produce more today.

Key elements in the Gorbachev plan include open debates and multi-candidate elections for party posts, s 10-year limit on the time officials can hold office, and a review of membership qualifications of all 20m party members.

At the same time he is calling for a revival in the powers of elected bodies - the Soviets which exist at every level, but which act as little more than rubber stamps for party decisions.

The theses refer repeatedly to the need to return to the "Leninist concept" of the ruling party as the "political vanguard" of the working class, admitting that since his death a whole series of "deviations" had begun, including limits on the freedom of debate, the concept of e collective lesdership, and inner-party democracy.

"This vicious practice remained in the years of stagnation (the Brezhnev era) to some extent or other," they say. "Some executives started thinking they had been appointed to their posts for life. They considered themselves infallible, sbused power, and neglected the interests of rank-and-file party members and working people."

Gorbachev: party problems

At least a dozen specific recommendations are contained in the theses for changes in the party's rules which could be approved by the conference - although it has no power to change the basic charter of the party.

The clearest recommendation is for party officials to hold office for only five years before re-election, and as a rule to be allowed only two terms in office. Mr Gorbachev was apparently forced to compromise by allowing the possibility of s third term, provided three-quarters of the party members in the organisation agree in advance.

Literally hundreds of party officials through the country have already held office for ten years, and many members of the ruling central committee.

Other key proposals include:

- Party committees barred from issuing direct instructions to state and economic bodies.
- Non-interference in the day-to-day operation of work collectives and other enterprises.
- Maximum openness of party debates, with decisions approved by majority voting.
- Tougher party membership criteria, and an end to the practice of "regulating the growth of party ranks by order".
- Considering "discussion of the social and political posture of every communist" before the next party congress.
- Genuine competition for party posts, wide-scale discussion of candidates and voting by secret ballot to become the norm.
- Communists shall "have the right to nominate a number of candidates exceeding that of the committee membership" for all elections to party committees.
- Allow for the partial replacement of central committee members between congresses, with voting by secret ballot.
- Establishment of a single body to oversee party discipline, and sndit the party accounts.

If the proposal on partial replacement of the ruling central committee is approved, it could open the way for Mr Gorbachev to institute the rapid retirement of many long-serving members elected in the Brezhnev years. The same would be the natural consequence of a time-limit on office-holders.

One proposal not put forward in the theses but favoured by many supporters of the general secretary would be an age limit on office holders of 65, with a possible limit of 70 for members of the politburo of the central committee. Mr Gorbachev may yet suggest it in his report to the conference.

As for the role of the elected soviets, the Gorbachev plan would introduce new strict rules to prevent officials from simultaneously being elected deputies, in an effort further to curb the power of the bureaucracy.

Increased budgets, longer sessions, and a similar restriction on the term of office to thet for the party are all put forward.

The role of the Supreme Soviet of the USSR, which currently meets for only two three-day sessions s year to rubber-stamp a handful of decisions, is also to "row radically." Among the suggestions put forward are to "guarantee the free nomination of candidates, wide and multi-sided discussion of nominees at public meetings, and in the mass media."

Mr Gorbachev's problem remains that the very people he is seeking to persuade to accept the reforms - the party officials and leading members - are those who have most power to lose.

Moscow fails to quell unrest in Azerbaijan

BY CHARLES HODGSON IN MOSCOW

A SENIOR Soviet official admitted last night that unrest was continuing in the disputed region of Nagorno-Karabakh despite reports from local officials that strikers were returning to work.

Mr Vyacheslav Mikhailov, deputy chairman of a Central Committee working party on relations between Soviet nationalities, said in Moscow that local suthorities were working hard to return the situation to normal "bnt have still failed to do so".

Mr Mikhailov admitted that local party officials had "lost the campaign among working people to stop the strike and resume work".

However, local party officials in Stepanakert, capital of the region, told Reuters news agency that 70 to 80 per cent of enterprises were working. Some people had taken part in demonstrations yesterday before returning to their jobs.

Workers in the mountainous enclaves, three quarters of whose population is Armenian, had previously threatened to continne a month-long general strike until the authorities in Moscow addressed demands for transfer of the region from Azerbaijan to neighbouring Armenia.

Their protests, combined with pressure for grester independence in other regions, particularly the Baltic states, has been seen as a potential embarrassment to Mr Mikhail Gorbachev as the extraordinary Communist Party conference which opens today.

Mr Mikahilov gave a clear indication that Moscow was unwilling to consider such a transfer. Pointing out that the Azerbaijan Parliament had rejected Armenian demands for reunification, Mr Mikhailov said: "We should overcome the practice of resolving one problem at the expense of creating another."

A straight transfer to Armenia would cause further damage to relations between the two populations and aggravate existing tensions, he added.

Mr Mikhailov also ruled out s division of the dispnted region. Describing Nagorno-Karabakh as a unique crossroads where Christianity and Islam met, he said that to divide it would be "erroneous" since "unity among cultures is our ideal."

There has been growing speculation that the only solution may be to give Nagorno-Karabakh autonomous status under direct control from Moscow, rather than Azerbaijan.

Mr Mikhailov said it was crucial to ensure that people of both ethnic groups felt their cultures and traditions were being safeguarded without discrimination.

He laid the blame for the present unrest firmly in the hands of past leaders of Azerbaijan. He singled out Mr Geidar Aliyev, who was dropped from the ruling politburo last October, and Mr Kyamran Begirov, who took over from Mr Aliyev as Azerbaijan party chief in 1982 and was sacked in May, following criticism of the local leadership for neglecting the needs of Nagorno-Karabakh Armenian population.

Shultz mission reflects dilemma on C America

BY LIONEL BARBER

MR GEORGE SHULTZ, the US Secretary of State, embarks on a four-nation tour of Central America tomorrow which reflects the Reagan Administration's conflicting assessment of problems in the region.

Mr Shultz has suggested the main purpose of his trip is to trumpet democratic gains made in Honduras, Guatemala and El Salvador and reaffirm Washington's political support for the incumbent civilian regimes during the last six months of President Reagan's term.

But Mr Shultz only recently described Central America as the most troublesome area of US foreign policy. His trip highlights concern about political instability in El Salvador, delicately poised peace talks in Nicaragua and the impasse reached in Panama, where the country's strongman, Gen Manuel Noriega, has rebuffed US efforts to oust him from power.

State Department officials play down suggestions that Mr Shultz may bring fresh proposals to follow up on the regional peace plan put forward by President Oscar Arias of Costa Rica, but they concede that the timing of his trip – his first to the region since 1984 – has aroused expectations of new diplomatic moves.

Mr Shultz will talk to leaders of all four countries bordering Nicaragua, where a 90-day truce between the Sandinista government and the US-backed Contra rebels is to expire at the end of the month.

The obstacles to fresh diplomatic initiatives lie in Washington, where the Reagan Administration is divided on whether to revive the suspended peace talks between the rebels and the Sandinistas, or to withdraw support and ask Congress to renew military aid.

Such a request would almost certainly fail to win sufficient support in Congress, where the Democratic party has a majority. But some officials believe that, even in defeat, they could turn Contra aid into an election issue for the Republicans. A further complication is the continuing political divisions within the Contras over whether to resume talks with the Sandinistas.

Mexico's first opinion polls fall short on credibility

Poll outcome is near what PRI officials foresee, and has thus been questioned by independent commentators, writes David Gardner in Mexico City.

OPINION POLLS are a novelty in Mexico, where the 71-year-old regime headed by the Institutional Revolutionary Party (PRI) has generally preferred to interpret the views of Mexicans rather than consult them.

But the sudden proliferation of polls in the run-up to the most fiercely contested presidential election since the 1910-17 revolution has led to widespread suspicion that their purported findings are being used by the PRI to justify in advance a result it intends to achieve by fair means or foul.

In the eye of this gathering storm is the first ever pre-election poll carried out in Mexico by the Gallup organisation, which gives PRI candidate Mr Carlos Salinas de Gortari a 56 per cent lead over his two challengers. Mr Cuauhtemoc Cardenas, at the head of Mexico's first coalition to unite the Left, is credited with 23 per cent, while Mr Manuel Clouthier of the right-wing National Action Party (PAN), trails with 19 per cent, according to Gallup.

This outcome is close to what PRI officials themselves foresee, and has thus been vigorously impugned by opposition groups and questioned by a host of independent commentators. They see it as an attempt to soften up public opinion and induce acceptance of the regime's 15th straight presidential victory since 1917.

The Gallup results came hard on the heels of a widely-publicised poll allegedly carried out by a unit of Mexico's National University (UNAM), giving Mr Salinas 61 per cent. This poll, some commentators noticed, was supervised by Mr Carlos Sirvent, a UNAM academic fielded by the PRI as a 'source' during the 1986 Chihuahua state elections, in which regime officials including Mr Salinas accept that ballot-rigging was used to favour the PRI.

Both Gallup's and the UNAM polls were national in scope. A further survey published last month by the centre-left daily La Jornada, covering Mexico City, gave Mr Salinas 45 per cent, Mr Cardenas 26 per cent and Mr Clouthier barely 10 per cent. This survey was conducted by a group headed by Mr Miguel Basanez, formerly a senior aide to Mr Alfredo del Mazo, the former Energy Minister.

Polls in general here have little credibility because the state – of which the PRI is merely an adjunct – haa such vaat resources of patronage and considerable powers of intimidation.

An obvious corollary is whether polls can be accurate in a country where elections themselves frequently are not, but where polls and often inflated voting returns tend to coincide.

There are several problems with the Gallup survey in particular.

It was commissioned by ECO Incorporated, a Los Angeles-based maker of Spanish language TV programmes. ECO is owned by Televisa, Mexico's private television monopoly, headed by Mr Miguel Aleman, son of the 1946-52 President of the same name. Mr Aleman has openly proclaimed that Televisa and its employees are *PRIista*. The network has given Mr Salinas blanket coverage and generally misrepresented the views and distorted the image of his opponents.

A second area of confusion is that the poll was carried out by Investigaciones de Mercadotecnia Opinion y Publicidad (IMOP), a marketing research group bearing the same acronym as the Instituto Mexicano de Opinion Publica, with which it is in litigation.

The first IMOP, owned by Mr Ian Reider, is recognised by Gallup as its Mexican affiliate. It counts Ford, Nestle, De Beers and British American Tobacco among its clients, according to Mr Reider. The second is owned by Mr Luis Sanchez Aguilar, who is simultaneously president of the tiny, gadfly Social Democratic Party, part of the Cardenas coalition.

Mr Sanchez Aguilar's IMOP last published its findings, based on a survey of 700 people in Mexico City, at the beginning of last month. They had Mr Cardenas and Mr Salinas neck and neck in the capital with 37 per cent, and Mr Clouthier polling 30 per cent. But the Mexican Socialist Party, which subsequently joined the Cardenas front, had 12 per cent, giving Mr Cardenas a clear lead. This neatly coincides with his aides' predictions that they will take half the Mexico City vote (though both the PRI and Gallup see the ruling party outvoted by the opposition as a whole in the capital).

Gallup's, or Mr Reider's IMOP's, evaluation, was based on 2,960 interviews nationwide (a feat Mr Sanchez Aguilar says his IMOP will shortly emulate). Its methodology is careful and candidate preferences were expressed by secret ballot. "It's a serious effort and we stand by it," says Mr Richard Burkholder, vice-president of Gallup.

Mr Sanchez Aguilar insists that Mr Reider's IMOP has worked for the Interior Ministry, which controls Mexican elections, and is therefore intrinsically untrustworthy. Mr Reider initially denied this but subsequently recalled doing polls in 1982 and 1985 for the National Register of Electors (controlled by the Interior Ministry) to collate estimates of registered voters.

Mr Burkholder admits that "there's a stigma attached to saying you're not going to vote" (only 6 per cent of Gallup's sample did against average recent abstention rates of 60 per cent), and that "we may have levels of intended voting which are too high."

But in Mexico there is not so much a stigma at stake as jobs, land, and basic amenities such as water and electricity. Given the unfamiliarity of polls and the powers of the PRI/State, many Mexicans, particularly in the countryside and urban shanty towns, are notoriously unwilling to express views which might prejudice them.

This may not be the case on polling day itself, however, on July 6. But then the picture promises to be blurred even further, by an unprecedented number of exit-polls, an even greater novelty.

US machine tool orders reach seven-year high

BY RODERICK ORAM IN NEW YORK

US machine tool orders surged last month to their highest level in seven years, reflecting a growing commitment by US manufacturers to expand their capacity to meet strong domestic and export demand.

Orders in May for tools for metal cutting and forming rose 28 per cent from a month earlier and 42 per cent from a year earlier to $324.8m (£181.4m), according to the Association for Manufacturing Technology (NMTBA), formerly the National Machine Tool Builders Association.

Mr James Gray, the association's president, said: "American manufacturing is making a comehack. . . prophets who had called the decline of US industry all but complete may have to revise their thinking."

Orders in May were at the highest monthly level since March 1981, hut were suhstantially lower than the monthly record of $565m in October 1979. In the first five months of this year, orders totalled $1.42bn, up 83 per cent on a year earlier.

After many years in which US machine tools languished in foreign markets because of stiff competition from Japanese, Italian and other makers, US export orders more than doubled in the first five months of this year to $208.4m.

Domestic demand for machine tools is brisk and broadly based, according to leading manufacturers such as Cincinnati Milacron.

Car makers and their component suppliers are particularly active buyers.

Telephone strike hits services in much of Canada

By David Owen in Toronto

SOME 19,500 Canadian telephone operators and technicians in Ontario, Quebec and the North-west Territories went on strike yesterday after rejecting Bell Canada's final contract offer.

The walkout was expected to lead to backlogs in Bell's telephone installation and repair services and delays in making operator-assisted calls. Soma services were disrupted over the weekend as more than 2,000 workers, members of the Communications and Electrical Workers of Canada, left their jobs in advance of the Monday morning strike deadline.

The main bones of contention in the dispute are wage levels and the use of part-time workers. The latest offer rejected by the union would have called for annual wage hikes averaging close to 4.5 per cent over the three-year term of the contract.

Observers believa that the situation has the makings of a lengthy dispute.

Caribbean takes united stance on Haiti

BY CANUTE JAMES IN KINGSTON

HAITI'S Caribbean neighbours, which had indicated confusion over recent political changes in the country, are now united in efforts to isolate the military government of General Henri Namphy, who took power in a coup last week. In condemning the coup which toppled the four-month-old civilian administration of President Leslie Manigat, several Caribbean government spokesmen have suggested that Haiti's observer status to the 13-nation Caribbean Economic Community be withdrawn.

A common approach to Haiti is to be discussed at next week's Community summit in Antigua, with indications that common ground will be found for isolating Gen Namphy's government. The change in attitude to Haiti as a result of the coup is most evident in the position of Jamaica, one of the few countries to offer support to President Manigat despite the controversial election in January which brought him to power.

Mr Hugh Shearer, Jamaica's deputy Prime Minister and Foreign Minister, said: "We cannot support the present regime and will not conduct normal relations with it until all the necessary steps are taken to re-start the process leading to the restoration of a constitutionally elected government."

Diplomats in the Caribbean suggested, however, that besides diplomatic isolation of the country and condemnation of the coup, there was little the region could do to bring pressure on Gen Namphy. Haiti's observer status in the Caribbean Community brings no economic benefits.

Lt Gen Henri Namphy, who seized power in Haiti in a military coup nine days ago, has promised the army will restore democracy and civil rights, but ruled out new elections for the moment, Reuter reports from Paris.

"Only the army of Haiti can bring democracy to this country," Gen Namphy, chief of the armed forces, said in an interview published yesterday in the French newspaper Libération. Asked if he planned new elections, Gen Namphy said Haiti had proved it was not ready for them.

Brazilian sugar producers lose battle on sweeteners

BY JOHN BARHAM IN SAO PAULO

BRAZILIAN sugar producers have lost a long battle against artificial sweeteners in soft drinks. A government decision that the sweeteners are not harmful to public health has heen pushed through hy Mr Borges da Silveira, the Health Minister.

Soft drink companies have not been allowed to use artificial sweeteners because of possible health risks, although they are permitted in foodstuffs. Pressure from the country's powerful sugar producers is generally blamed for the soft drinks ban.

The sugar industry has waged a bitter war against diet soft drinks. Last year Mr Laerte Codunho, a small husinessman, launched a diet cola with special permission from a federal court. In spite of pressure from sugar companies and government agencies to stop production, he has now won a six-month lead over the big soft drinks companies.

Brazil is the world's third largest soft drinks market, with 36 litres drunk a year per capita.

Mr da Silveira, who comes from an area in southern Brazil which produces stevia, a natural sweetener, has ordered companies to study the possibility of using stevia in soft drinks as part of the regulations allowing artificial sweeteners.

The big soft drinks manufacturers say stevia is more expensive than conventional sweeteners and leaves an unpleasant after-taste.

Israel seeks to block Chinese missiles sale

THE Israeli Defence Minister, Mr Yitzhak Rabin, asked for US help in blocking Chinese missile sales to Arab countries, US officials said yesterday, Reuter reports from Washington.

Mr Rabin, in Washington for talks with President Reagan and congressional and Jewish leaders, discussed the proliferation of missile technology in the Middle East with Mr Frank Carlucci, the Defence Secretary.

Mr Rabin and Mr Carlucci planned to sign an agreement to split the costs of developing a new Israeli-built Arrow missile, an anti-tactical ballistic missile.

US and Israeli officials said China has been offering to sell its sophisticated M-9 ballistic missile to Syria and other Middle East countries. US officials said China's demand for cash payments prevented a firm sale.

Washington put pressure on China earlier this year to halt sales of its Silkworm anti-ship missiles to Iran and received assurances that they would cease. There have been unconfirmed reports recently that Iran has received new Silkworms.

Toyota to decide EC car plan by next year

By Clay Harris in Tokyo

TOYOTA, Japan's largest motor group, will decide by the end of next year whether and how to proceed with plans to make cars in the European Community.

Toyota's feasibility study will review tha merits of independent or joint production and consider tha best location for a European manufacturing base. It is the latest evidence that Japanese car groups are anxious about their position in light of the plans for a unified EC market by 1992.

Last week, the motor companies agreed to limit exports to the EC to 1.21m cars and commercial vehicles this year, a 3.2 per cent rise over the number shipped in 1987.

The Toyota study will assess the record of the commercial vehicle joint venture with Volkswagen, due to begin production in Hanover, West Germany, at the beginning of 1989.

The company's only other manufacturing facilities in the EC are a Portuguese factory for light trucks and a truck venture in France.

Bid to step up export efforts

THE latest agreement between Washington and Tokyo to encourage Japanese imports of US consumer goods appears to give little more than a new name to existing trade promotion efforts, Clay Harris writes.

Officials made clear yesterday that the "Market Japan" project, announced in Washington at the weekend, was mainly an attempt to build on the success of the Japan-US trade facilitation committee by focusing on only a few areas.

The initial emphasis will be on sporting and leisure goods, furniture, jewellery, processed foods and pet foods, sectors in which US exports to Japan totalled $1.55bn (£861m) last year.

Japan and the US are hoping to create exemplary "success stories" to encourage small and medium-sized US companies to step up their export efforts.

Exporting companies have drawn up plans to sell goods in exchange for IOUs, **John Barham** reports from Sao Paulo

Brazil considers paying part of debt with merchandise

BRAZIL is considering paying part of its vast foreign debt with merchandise under a scheme that combines aspects of existing deht-to-equity conversions and international countertrade.

Exporting companies, scenting a profit, have drawn up plans to sell goods worth $9bn (£5bn) a year in exchange for Brazilian IOUs. They want to cash in on the 55 per cent discount available on their country's foreign debt by exporting everything from shoes to ships.

The Government is seriously considering the idea, as are creditor banks and many exporters. However, only a few of their proposals are likely to be approved. Bankers say that debt-to-merchandise conversions are likely to be worth $2bn-$3bn a year.

Peru is the only one of Latin America's debtors to introduce a debt-for-goods mechanism. Under the scheme, a foreign importer would buy a loan from an international bank at a discount.

The debt's face value would be equivalent to the value of the purchase. The importer would then present the debt to the Brazilian Central Bank, which would pay the exporting company the debt's full face value in local currency.

Mr Arnaldo Wald, president of the Securities Commission, which helps run Brazil's debt-to-equity conversion auctions, said the scheme was intended to benefit industrial sectors that do not export already and have spare capacity. Alternatively, debt could be used to promote "traditinnal" Brazilian goods in new markets.

In theory, everybody would be happy. The importer would get a discount on its purchases at no cost to the exporter. The Central Bank would cancel part of the $121.3bn foreign debt and foreign banks would slim down their Brazilian portfolios. The losers would be the banks' long-suffering shareholders, since the original bank lenders would be realising a loss in the process.

Mr Silvano Valentino, president of Fiat's Brazilian subsidiary, is trying to convince the Government to anthnrise debt conversions to reduce losses on Fiat's $500m annual exports.

Ha says Brazil must reduce export costs if it wants to remain competitive in the international car market.

Mr Valentino complains that exporting cars from Brazil has become unprofitable. Fiat, Brazil's largest private exporter, calculates that its costs have risen 40 per cent over domestic inflation and the decline in the exchange rate since 1986.

Mr Valentinn admits that a debt-to-export conversion scheme would only partly reduce his export costs. The importer would have to share the discount with tha borrower, tbe lender and prohahly the Central Bank as well. A banker says the effective discount would fall from 55 per cent to about 27 per cent.

> Exporters want to cash in on the 55 per cent discount available on their country's foreign debt, by exporting everything from shoes to ships

Several banks are said to be interested in the scheme, including Manufacturers Hanover Trust of New York, Lloyds Bank International, Midland Bank and NMB Bank of the Netherlands.

But as Mr Wald of the Securities Commission mentioned, Brazil's depressed shipping industry is the most likely beneficiary of a debt-to-export mechanism.

Shipbuilders have already sent the Central Bank debt-to-export proposals worth $2bn. The industry needs all the help it can get. The vessels they build can cost 30 per cent more than those constructed in South Korea, yet profits seems as elusive as ever.

Ishibras, a Brazilian affiliate of Ishikawajima, the Japanese shipbuilder, has already announced a debt-for-exports proposal. Marimpex, a Hamburg-based trading company, has ordered three oil tankers worth $200m from Ishibras.

The shipyard says it has a further $400m orders on hand from an US company. Were it not for tha debt subsidy, these orders might never have been placed.

Marimpex and Ishibras are suggesting that 80 per cent of the ship's price be paid with debt and the rest with hard currency.

Bankers point out the Government could even save money, since the Central Bank would use its share of tbe discnnnt to rednce the cost nf subsidising export finance interest rates.

But there are many drawbacks. A Sao Paulo banker said: "All this might be very good for Brazil and for the banks, bnt it would be bad for international trade, because it would reward inefficiency."

The scheme could also be bad for balance of payments. Brazil needs to earn a $12bn trade surplus to remain current nn its annual debt service payments and honour other hard currency obligations.

In 1986, exports tumbled, reserves evaporated and Brazil had to suspend interest payments for a year. Debt-to-export conversions migbt replace sales that would have been made anyway and would have been paid for in hard currency. On the other hand, they would reduce help to interest payments as the debt declines.

A banker wbo advocates debt-for-goods conversion agreed that every operation would have to be monitored and dealt with on a case-by-case basis to avoid possible abuse.

International organisations, particularly the International Monetary Fund, are known to frown on barter operations because of their possibly negative impact on tbe balance of payments, and Brazil is negotiating a $1.5hn stand-by loan with the IMF.

But exporters say they cannot afford to wait much longer. Mr Valentino puts it bluntly: "If we do not get some relief, our exports will fall vertically and we will have to begin reducing our activities in Brazil.

"If we export less, Brazil will have a smaller surplus to pay the debt with. But if we adopt this mechanism, Brazil will slowly reduce tbe debt it already owes."

Brazil buys French helicopters

BY IVO DAWNAY IN RIO DE JANEIRO

THE Brazilian army has finally signed a $250m (£138m) contract for 52 helicopters from Aerospatiale, the French state aerospace group, despite an attempt to postpone the deal by the US's Bell Helicopter group.

Bell had issued an injunction in the Brazilian courts this month arguing that the army had failed to explain adequately why it was accepting a tender for more costly machines.

Since it emerged in February that Aerospatiale was favourite for the contract, rival hidders have raised protests. The Brazilian contract is the first part of a big purchasing programma of up to 400 machines which could be worth $2bn over the next 15 years.

It will also define who is to dominate the helicopter industry in a country where the machines are vital to the transport system. Aerospatiale's rival hidders included Messerschmitt-Bölkow-Blohm of West Germany, Sikorsky and Bell of the US.

Industry observers claim the Bell offer of 206L3 and 212 troop carrying machines was the cheapest and most appropriate. But the army ministry has opted for 16 Ecureil class attack machines and 36 Dauphin transports.

One reason for the decision relates to Helibras, a partnership between Aerospatiale and the state of Minas Gerais to assemble French machines in Brazil.

Tha Minas Government has sought to dispose of its holding in the company to Engesa, the private Brazilian arms maker.

Engesa has argued that it could only take on the Minas stake if it could be sure that Helibras would have a major participation in the army contract. Only a successful Aerospatiale bid could ensure this.

Financing for the Aerospatiale deal involves an eight-year open credit, with a down-payment of 15 per cent or about $42m at 1.18 per cent over Libor from a consortium of banks.

Caracas to buy UK Scorpions

VENEZUELA is to pay $85m (£47m) for Scorpion combat vehicles from Britain, in what the manufacturer, Alvis, claims is the largest military contract won hy the UK in Latin America for 15 years, David White, Defence Correspondent, writes.

The order was won against the French AMX-13 light tank, after other initial bids by US and West German companies. It is believed to involve about 100 vehicles, together with ammunition and other equipment, including computer-based gunnery simulation.

Deliveries are due to take place over a three-year period starting late next year.

The company said it expected the deal to lead to further business in South America.

The order is for the Scorpion 90, a private-venture version of the veteran tracked-vehicle in service with the British army. It incorporates a larger 90mm Cockerill gun and a laser rangefinder.

Mr David Fraser, chief executive of Alvis's parent company, United Scientific Holdings, said the contract was won against fierce competition and a background of depressed conditions in the armoured fighting-vehicle market. Announcement of the contract was timed to coincide with the British Army Equipment Exhibition, where UK defence contractors are displaying their wares this week.

Sir Colin Chandler, head of defence export sales at the Ministry of Defence, said Britain had remained ahead of France last year as the world's third largest arms exporter, with about 12 per cent of the $50hn world market.

EC to re-open hardwood panel dumping inquiry

By Tim Dickson in Brussels

THE European Commission is to re-open anti-dumping investigations into producers of hardwood panels in Czechoslovakia, Poland, the Soviet Union, Romania, Sweden and Brazil.

The move, announced yesterday, follows complaints from EC manufacturers, which claim that commitments entered into by some importers were not being observed. They are also worried that more protection will be needed when existing duties run out at the end of this year and in 1989.

The European Confederation of Wood Industries says imports from the countries concerned have increased by 23 per cent to 259,000 tonnes between 1985 and 1987 at a time when consumption in Europe has been falling by 1 to 1.5 per cent a year.

Brazilian imports have risen from 37,400 to 50,000 tonnes over the period, while Sweden's – although more or less unchanged – " have remained at a high level" (115,000 tonnes in 1987).

Import prices are said to be between 10 and 30 per cent below European producers', while the weakness of the dollar has raised the fear that exports by non-EC countries may be re-directed from North America to Europe.

Cuts in tariff protection urged

BY WILLIAM DULLFORCE IN GENEVA

SEVEN COUNTRIES have tabled a detailed programme for negotiating cnts in tariff protection under the General Agreement on Tariffs and Trade.

The joint plan, submitted last week by Australia, Canada, Hong Kong, Hungary, Korea, New Zealand and Switzerland, to the gronp negotiating on tariffs under Gatt's Uruguay Round, included a formula for agreeing across-the-board tariff cuts.

Talks on tariffs in the Uruguay Round have attracted much less attention than those on trade in agriculture, services and intellectual property.

But the seven countries argued that tariff liberalisation was a central element without which the overall liberalising objectives of the round could prove difficult to achieve.

"Nuisance" customs dnties, those whose levels are so low that the cost of collection is frequently greater than the revenue produced, would be eliminated.

The seven also called for a substantial increase in the level of tariff bindings by all Gatt members. By "binding", a government fixes a level above which a tariff cannot be raised without paying compensation to the countries affected.

Since its inception 40 years ago, Gatt's main triumph has been to reduce the level of tariff protection. Duties levelled by the main industrialised countries on industrial imports now average little more than 4 per cent.

However, "peaks" of tariff protection remain on some sensitive goods of special interest to the Third World. Developing countries also want so-called tariff escalation – which raises duties as the degree of processing increases – to be pared.

The large trading countries are seeking concessions from developing countries, particularly the newly industrialised group of South Korea, Taiwan, Singapore and Hong Kong, where customs duties are still high and tariff bindings much less frequent.

Progress on tariffs had to be demonstrated by the time of the trade ministers' mid-term review in Montreal in December, the seven said.

They advocated a formula for a general rednction in tariffs rather than negotiating tariff concessions on the request-and-offer basis preferred by some developing countries under which every concession would result from bilateral bargaining.

Developing countries could be allowed more time to apply tariff reductions, would be required to bind fewer tariffs, and could bind them at higher levels.

Danes plan new ship registry

DENMARK will set up an international ships registry this autumn in accordance with legislation just passed through the Folketing (parliament), Hilary Barnes reports from Copenhagen.

The Danish International Registry (DIS) is intended to stop Danish owners transferring the flag to other nations by enabling ships using the DIS flag to employ foreign personnel on board.

It will also exempt Danish personnel from paying income tax on earnings made while serving on board, thus enabling owners to hire personnel at more competitive rates.

Flag transfer has gathered pace over the past three years and about 50 per cent of the fleet is sailing under foreign flags. The DIS is for Danish-owned ships only, unless they are owned by a foreign company with a substantial Danish interest in it.

The DIS is opposed by the seamen's union, which fears it will mean job losses, but shipowners say chances exist for increased hiring of Danish personnel.

Tokyo keeps its distance from Israeli commitment

By Andrew Whitley in Jerusalem

RELATIONS between Israel and Japan, long strained by Japan's strict adherence to the Arab boycott and murmurings of anti-semitism, have been little advanced by a 34-hour visit to Israel and the occupied West Bank by Foreign Minister Sosuke Uno.

Mr Uno left Israel for home yesterday at the end of a five-day tour of Middle East "frontline" states, which included a first visit to the Jewish state by a Japanese Cabinet Minister.

Mr Uno's revelation during an official speech thet he and his wife had read The Diary of Anne Frank – and had encouraged their children to read the bestseller about a young girl's treatment by the Nazis – cut little ice with his Israeli hosts. Their concern was not so much Japanese guilt over the behaviour of the Axis powers during the Second World War, as the remarkable absence of Japanese investment in Israel today.

Not a single Japanese company admits to having invested in Israel, nor do any maintain representative offices. Queries during Mr Uno's visit as to the reasons were met by the bland reply that Tokyo could not direct private investment.

Mr Shimon Peres, the Israeli Foreign Minister, urged the setting up of joint ventures and Japanese participation in several specific projects in Israel during a meeting with Mr Uno. But he was reportedly unable to elicit a firm reply.

More annoying to the Israeli Government was ths Japanese Foreign Minister's explicit linkage of progress in bilateral relations to greater efforts by Israel to achieve peace with its Arab neighbours. During Sunday's formal dinner, Mr Uno implicitly rebuked the Shamir Government, emphasising the need for all parties to the conflict to take "a realistic and flexible attitude".

Israel is one of a tiny handful of countries to run a trade surplus with Japan – a quirky statistic accounted for largely by the Japanese consumer's fast-growing appetite for Israeli polished diamonds, and the extreme reluctance of most Japanese companies to sell in Israel. Unlike anywhere else in the Middle East, Subaru is virtually the only Japanese car seen on Israeli roads.

Dollar rise causes US-Japan strain

BY STEFAN WAGSTYL IN TOKYO

THE RECENT rise in the US dollar is straining relations between US and Japanese monetary authorities.

Bank of Japan officials believe their American counterparts should stop making remarks which could be interpreted as talking up the dollar. They are concerned that the US currency's sudden leap could herald a period of volatility in the currency markets in which the dollar might fall just as fast as it has risen.

The central bank's worries reflect a fear in Tokyo that the dollar's increase may be only a temporary reaction to recent positive developments in the US economy.

Bank of Japan officials were not available for comment. However, a central bank official quoted by news agencies said he was concerned that US officials were talking up the dollar. Mr Richard Koo, an economist at the research arm of Nomura Securities, said Japanese central bank officials had good reason to be annoyed with US officials, who appeared to be indicating that a higher dollar would be tolerated.

Traders in Tokyo said they detected such as message in a speech on Sunday by Mr Manuel Johnson, vice chairman of the US Federal Reserve Board, who said the dollar's recent strength reflected growing market confidence in US trade policies and anti-inflation measures.

The dollar closed in Tokyo yesterday at its highest level this year – Y131.70, up Y2 – in hectic trading. Hints from the Bank of Japan that it might intervene and sell dollars did nothing to dampen sentiment.

The dollar's rise has prompted some Japanese investing institutions to reassess their view of dollar-denominated securities.

Some have resumed buying dollar assets. Others have cut back slightly on hedging their dollar investments. Since Japanese institutions have hedged about $100bn of their dollar holdings even a small percentage reduction would generate a flow of several billion dollars through the currency markets.

Nevertheless, institutions are divided in their views about the medium- and long-term outlook for the dollar. While they have tried to profit from the US currency's rise in recent days by buying dollars, many investors are ready to sell again at a moment's notice.

"This is short-term investment," said Mr Yoshiaki Takanashi, a general manager at Yasuda Trust and Banking. "The pension funds are not as eager as the [more aggressive] money trusts."

One reason for believing that the dollar's strength may be temporary is that the yen may have fallen because of a weakness in the D-mark, which could also be short-lived. In the past month sellers of the West German currency have rushed into dollars. But this could be reversed if West German interest rates rise and the German economy recovers later this year as expected.

Moreover, some speculative Japanese investors have been buying dollars on the theory that the US authorities would like to see the dollar strong for political reasons during the period between the Toronto summit and the November presidential election.

But these investors may not be convinced that recent improvements in the US trade deficit will last and could bail out of the dollar at the first sign of trouble.

Mr Teiso Taya, senior economist at Daiwa Research Institute, an affiliate of Daiwa Securities, argues that the dollar could fall back by early next year. "The fundamental problems of the US have not changed. The current account and the budget deficits are still there."

However, there is also growing support in Tokyo for the view that the three-year decline in the dollar may at last be over. Economists at the Bank of Tokyo, the leading foreign exchange bank, say this positive view of the dollar took root in Europe a month ago – causing the dollar's rapid rise against the D-mark. "The Japanese market was more sceptical. . . but foreign exchange people now agree that the dollar should rebound." The bank forecasts a trading range of Y125-Y138 for the US currency.

Johnson: market confidence

Japanese pay bonuses up 5%

BY CLAY HARRIS IN TOKYO

SUMMER BONUSES paid to employees of Japanese companies are running at 5 per cent ahead of payments last year.

This means an average pay-out of Y587,228 (£2,607), according to nearly 200 companies surveyed so far by the Japanese Federation of Employers' Associations (Nikkeiren).

The increase in bonuses reflects the sharp improvement in profitability achieved by most companies last year. It follows a 4.4 per cent average rise in earnings during the spring pay round.

The higher bonuses are likely to fuel consumer spending – the twice-yearly bonus season is the favourite time to make big purchases – and give a small nudge to inflation.

In 1987, summer bonuses averaged 2.4 months' salary and the winter payment 2.7 months' salary, according to a separate Nikkeiren survey.

The calculation and payment of bonuses are subject to negotiation between employers and unions. In practice, however, very similar amounts are paid by all companies in each industry.

Bonuses are traditionally closely linked to historic profit performance.

Last year, for example, after a 8 per cent rise in corporate profits in the year to March 31 1987, the spring rise averaged 3.5 per cent but the summer bonus averaged only 2.8 per cent.

Japan's industrial production fell 1.7 per cent in May for the second month-to-month decline, according to the Ministry of International Trade and Industry, Carla Rapoport reports from Tokyo. The fall did not alarm economists because industrial production has been growing so fast recently that a slow-down was expected.

World Bank endorses Pakistani budget

BY CHRISTINA LAMB IN ISLAMABAD

THE WORLD Bank has expressed cautious approval of Pakistan's budget for 1989-89. The Bank, which lends $700m a year to Pakistan, had threatened to reduce funding unless significant steps were taken to reduce the growing budget deficit.

After the budget was announced, Mr Lewis de Ascarati, World Bank chief in Islamabad, said: "For the last three years the deficit increased until we said this cannot go on. If implemented properly this budget will produce a definite improvement in terms of deficit."

However, the budget was much softer than expected, ignoring World Bank advice to cut defence spending and broaden the tax base. Western diplomats described it as "clear electioneering, full of sweeteners such as increased pensions, dowry fund, and free bikes for low-paid government servants".

Dr Mahbubul Haq, the Finance Minister, who presented the budget on Sunday, claimed the Rs17bn (£528m) budget deficit could be turned into a surplus by improved collection of income tax. At present an estimated Rs51bn of a total income of Rs70bn is believed to escape assessment. The measures include compulsory installation of cash registers with non-erasable memories in every business and shop in the country.

Dr Haq warned that tax evaders would be treated as criminals. "We will give a two-week amnesty to people to reassess their tax position and then examples will be made. . . whatever their station in life."

FUND SEEN AS TOO INFLEXIBLE

Sudan ends talks on reforms with IMF

BY VICTOR MALLET IN NAIROBI

SUDAN HAS cut short a round of negotiations with the International Monetary Fund because of differences over the pace of economic reform, according to Sudanese officials in Khartoum.

In the budget earlier this month the Government of Prime Minister Sadiq el Mahdi went some way towards placating the Fund by announcing a series of price rises and promising to privatise some inefficient state corporations.

But the IMF has also been pressing for a substantial devaluation of the Sudanese pound, and at the weekend Mr Abdallah Mohammed Ahmed, the Information Minister, said talks with a visiting Fund team had been broken off because of IMF inflexibility. He said he expected negotiations to resume later.

Sudan has a foreign debt of more than $12bn, including arrears of more than $3bn. IMF arrears alone total more than $700m and its seal of approval for Sudan is regarded as essential if donors are to fund the country's economic reform programme over the next four years. The Fund itself declared Sudan ineligible for its loans more than two years ago as a result of the arrears.

A devaluation and a round of price rises last year provoked riots in which a number of people were killed. Opponents of the Government have already attacked this year's budget and accused the authorities of surrendering to the IMF.

Sudan's economic problems have been compounded by a civil war between the Government in the north and rebels in predominantly Christian south.

The Government has been at war with guerrillas of John Garang's Sudan People's Liberation Movement, which seeks autonomy for the south, since 1983. Much of southern Sudan is no longer under government control and the main southern towns of Juba, Malakal and Wau come under frequent SPLA attack.

● Foreign bankers and diplomats yesterday predicted a small devaluation before the end of the year, in order to maintain the goodwill of the IMF and donor countries, Reuter reports from Khartoum.

Dangers of Nigerian toxic dump emphasised

By Michael Holman, Africa Editor

THERE IS a growing danger than the 3,500-ton toxic waste dump at the Nigerian port of Koko will spontaneously combust, and wind will help spread carcinogenic dioxins over a large area, Friends of the Earth, the environmental lobby, warned yesterday.

It is now clear that the Nigerian authorities face an expensive environmental disaster which will need international assistance to remedy.

The lobby yesterday released the results of an on-the-spot inspection of the waste by Mr Mark Line, an environmental scientist, and Dr Barry Lambert, a radiation expert.

The experts found no evidence the dump contained radio-active material, as the Nigerian Government had originally feared. But the waste, exported from Italy between August 1987 and May 1988 by four companies, is "extremely dangerous". It consists of acidic wastes, chlorinated hydro-carbons such as polychlorinated biphenyls, waste paints and unidentified semi-solid materials.

Up to half of the estimated 8,000-10,000 drums holding the waste "are in an appalling physical condition and there is an immediate and continuing risk of fire or explosion," according to a preliminary report released by the lobby in London yesterday.

The waste cannot be moved "without elaborate equipment and a large team of qualified personnel", says the report. The exercise would cost over £1m and would take several months.

The team would also face the risk that any movement of the material would set off an explosion, and wind could carry dioxins over a large area.

In Lagos, the Nigerian Government welcomed last Friday's offer by Rome to have the Italian companies remove the waste, but yesterday's report suggests this would be a complicated exercise.

Mr Andrew Lees, a toxic waste expert at Friends of the Earth, called the Nigerian shipments "a scandal".

Kampuchea guerrilla heads 'agree peace plan'

KAMPUCHEAN guerrilla leaders have agreed on a blueprint for peace which they will present at talks with Vietnam next month, according to a statement broadcast yesterday, Reuter reports from Bangkok.

Prince Norodom Sihanouk, a guerrilla leader, met his two partners in a UN-recognised Kampuchean coalition in Thailand before travelling to the Kampuchean border on yesterday to accept credentials from foreign ambassadors.

A statement broadcast by his group's clandestine radio station, monitored in Bangkok, said that Prince Sihanouk, Khmer Rouge faction leader Khieu Samphan and the coalition's Prime Minister Son Sann drafted a common position for unofficial peace talks in Jakarta in late July.

Vietnam invaded Kampuchea in late 1978 to oust the pro-Peking Khmer Rouge Government, held responsible by Hanoi and Western human rights groups for hundreds of thousands of killings. The Khmer Rouge remains the dominant group within Prince Sihanouk's coalition.

Vietnam has said that 50,000 of its 100,000 troops in Kampuchea would be pulled out this year and the rest by 1990.

The statement said that Vietnam should attend the Jakarta meeting on the day it opened. Under a formula worked out between Indonesia and Vietnam, the three Kampuchean guerrilla factions and the Phnom Penh administration would meet first, and Vietnam, Laos, Indonesia and Thailand would join in later.

The statement said that the talks should lead to a withdrawal of Vietnam's forces "in three stages within a clearly fixed time table under international supervision." The Phnom Penh Government should be dismantled after the second stage and replaced by a provisional four-party coalition headed by Prince Sihanouk, it said.

The provisional government would organise direct and free elections under international supervision to choose a constitutional parliament. The assembly would be responsible for drafting a constitution, naming the new state, creating a national flag and anthem and setting up political, economic, administrative, educational, cultural and press systems, it said.

Until very recently, only those in the upper echelons of the social register ever inherited anything of any real worth. As the heirs of "well-to-do" families they knew what was coming to them, just as they knew what was expected of them.

This wealthy and worldly minority (perhaps 10% of the population) is now about to be superseded by a new, larger and more volatile band of inheritors: today's middle-aged, middle classes.

It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect

OVER THE NEXT 10 YEARS, MILLIONS OF PEOPLE WILL BE CONFRONTED WITH A UNIQUE PROBLEM.

companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crème; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

The vagaries of luck and fate need not decide your company's eventual response to all this, though. You can start doing something about the matter today, just by thinking ahead.

For forward planning is the only answer. An answer that we at Ernst & Whinney have put into practice for companies of all sizes and complexions. In all probability, your company could benefit from contacting us. After all, without wishing to blow our own trumpet, we do have a wealth of experience.

Ernst & Whinney
Accountants, Advisers, Consultants.

All state groups candidates for sale says Lawson

BY RALPH ATKINS

NO NATIONALISED industry was beyond consideration for privatisation Mr Nigel Lawson, Chancellor of the Exchequer, said yesterday.

Both British Rail and British Coal were possible future candidates for sale, Mr Lawson said. The burden of proof had changed completely and the question now was, why should any industry stay in the state-owned sector?

Speaking at a conference on privatisation, Mr Lawson said the Government had privatised nearly 40 per cent of the state commercial sector it inherited in 1979. At the end of the present phase of sales, that would rise to 60 per cent but it did not intend to stop there.

"We have pushed back the frontiers of what is thought capable of privatisation so far that no nationalised industry is completely out of consideration. That is a truly radical development."

Nigel Lawson: "pushed back the frontiers"

Mr Lawson said there was no reason to think that October's stockmarket collapse had undermined the capacity of the London market to support new issues.

He said four major privatisations under way included British Steel and Girobank, the banking subsidiary of the Post Office, which will be sold in the next year or so.

Berisford takes over Dashwood agency

BY NICK BUNKER

SIR FRANCIS Dashwood, has crowned 35 years at Lloyd's of London by agreeing to sell his underwriting agency to S.&W. Berisford, the commodities trading and financial services group, for between £1m and £2m.

The baronet – who began his career there as a £5 a week insurance broker in 1963 – is one of the most aristocratic luminaries of the Lloyd's community. But, like many other executives of the Lloyd's market's 240 underwriting agencies, he has found that an age of more complex regulation has led to a heavy burden of administration.

"There's a fantastic amount of paperwork," said Sir Francis, speaking yesterday from his neo-classical country seat at West Wycombe Park, Buckinghamshire, near London. Instead of being able to walk about the Lloyd's underwriting room, picking up gossip, he has found himself *increasingly pinned to his* desk.

Even by the eccentric standards of Lloyd's of London, Sir Francis has been one of the City's more colourful figures, combining his work there with cattle ranching in Colorado and *farming* in Wales and Australia. He is also a descendant of one of the most notorious rakes of eighteenth century England, an earlier Sir Francis who excavated a series of caves at West Wycombe to provide work for unemployed labourers.

The present Sir Francis first entered Lloyd's as a way of gaining an income to support himself as a future Member of Parliament, but he failed to win a seat. His career at Lloyd's blossomed in the 1970s after he founded his own underwriting agency in offices over an Indian restaurant.

But in the last few years his company, Dashwood Underwriting Agencies, which looks after the affairs of 317 members of Lloyd's (or Names), was proving too small to be economically viable. And, at the age of 63, Sir Francis himself is giving thought to his retirement.

So he has followed the fashion for mergers of Lloyd's underwriting agents by agreeing to the Berisford deal, which involves Berisford's own underwriting agency, Berisford Mocatta, taking over *his company to form Mocatta* Dashwood, representing 630 Names.

"It was a natural marriage," says Sir Francis, who last year severed his earlier connection with Mr Richard Outhwaite.

It seems unlikely, however, that the next baronet of West Wycombe will run a Lloyd's agency. "My son is more interested in shooting and fishing," Sir Francis says.

Isle of Man to examine potential as media centre

By Raymond Snoddy

THE Government of the Isle of Man, the island west of Liverpool in the Irish Sea, has set up a study on ways to for it to become an important centre for the electronic media, much as it has become a financial services centre.

The study encompasses everything from microwave television and radio to terrestrial and satellite television. The local tourist board even hopes that tax advantages may entice a film studio to set up on the island.

The isle has already approached Mr Rupert Murdoch, chief executive of News International to consider rebroadcasting Sky, his satellite channel, from transmitters aimed at north-west England. Other large communications companies are believed to be holding talks on other possible projects.

"What we want is to create a centre of excellence and we are looking at radio, television and satellite," said Mr Alec Cameron, a retired paint manufacturer who is chairman of the group. It will report to the island's Government later this year.

The Isle of Man has noticed how small territories such as Monaco have becomne important *centres of commercial* broadcasting and would like to use its status as a self-governing island to try something similar.

Broadcasting in the island is not controlled by either the Home Office or the Independent Broadcasting Authority, although the UK is responsible for all the Isle of Man's external relations.

The Isle of Man is covered by the UK's Wireless Telegraphy Act administered by the Department of Trade and Industry which deals with matters such as interference. Although the possibility of the Isle of Man's creating both its own Wireless Telegraphy Act and its own independent broadcasting authority is being considered, Mr Cameron said any project would proceed only with the approval of the DTI.

The study group is enthusiastic about setting up MVDS, or microwave television, on the island to deliver 12 channels of television.

Serious thought is also being given to turning the local Manx radio station into a commercial broadcaster to north-west England. Mr Norman Davey, a professional broadcasting engineer who is a *member of the study group*, believes he has found a medium-wave frequency which would not cause interference with existing services.

Tim Dickson sums up the schools dilemma for expatriates

Lords hold out cash hope for Britons abroad

THE LIFE of an expatriate is often the object of envy. But as the backers of an amendment to be debated in the House of Lords today point out, British citizens can find themselves at a big disadvantage when it comes to schooling for their children.

The UK is almost alone among leading industrialised countries in failing to provide financial support for the children of its residents temporarily working abroad. The French government spends £133m, Bonn puts up £80m and Tokyo at least £65m a year, while smaller competitors such as Italy, Switzerland and Sweden chip in £12m to £13m, £6m to £7m and £2.5m respectively.

"The effect is to provide children of those countries living abroad with a similar education to what they would receive at home at a price which even the self-employed can afford...the degree of subsidy varies considerably but it is mostly between 30 per cent and 70 per cent of the cost of schooling," according to a report written last year by Sir Mervyn Brown, formerly of the Foreign and Commonwealth office, on behalf of the council of British independent schools in the European community (Cobisec).

Armed with these and other findings, Cobisec (and more particularly its chairman, Mr Dick Pantlin) have been waging an energetic campaign to persuade the UK Government to make some sort of similar provision in Mr Kenneth Baker's education bill currently proceeding through parliament. So far the plea seems to have fallen on deaf ears at the Department of Education and Science, but it has met with surprisingly enthusiastic all-party support in the House of Lords.

The hope of all involved is that an amendment providing assistance for the education of children of British nationality residing in another member state of the European Community – moved by Baroness Young, Minister of State for Education in Mrs Thatcher's first government and supported by the Labour speaker in the Lords, Baroness David, as well as Lords Jellicoe and Limerick – can be inserted into the bill when the matter is fully debated at the report stage today and tomorrow.

Mr Pantlin, who helped establish the British School in Brussels in the late 1960s, admits that the growing interest in the 1992 programme for creating a single European market has given his efforts an important boost.

The Brown report – based on a study of more than 2,000 replies to a questionnaire from British expatriates living in Europe – shows that far from being the pampered upper classes who would send their children home to British private schools, "the new breed" of expatriates are mostly engaged in business or in various self-employed capacities but they also include manual workers in, for example, the construction industry.

The report adds: "The great majority are alien to boarding school tradition and prefer to keep their children with them."

"The problem," as Mr Pantlin explains, is that the fees of British schools which have grown up to accommodate their needs in centres such as Paris, Rome, The Hague and elsewhere – these days £5,000 or more without any boarding – are beyond the range of most foreign workers whose companies do not provide help.

"They reckon there are four to 500 parents in the greater Brussels area who would like to send their children to the British school if they could afford it. They are self-employed, employees of small medium-sized businesses, and of companies setting up for the first time." A large number of people are forced to use local schools against their will, not least when their children are about to take, or are in the middle of studying for British examinations.

As Baroness Young put in in an earlier debate in the Lords: "What we are doing by not helping our children abroad is handicapping our people in Europe. Any businessman going abroad will ask as one of his first questions, 'what about the education of my children.' The education of some children will be paid for. Some parents will be able to afford such an education for their children; others will be left out."

Land Rover drops out of army new heavy truck business

BY DAVID WHITE, DEFENCE CORRESPONDENT

LAND ROVER has been edged out of an important niche in the army lorry business just as Bedford – now under the name of AWD – is competing to defend its hitherto reserved territory in the heavier four-tonne range of military trucks.

The first contract to meet the British Army's new requirement for a two-tonne truck, worth £26m and involving about 1,000 units, has gone to the Amersham-based engineering and vehicle company Reynolds Boughton after competitive trials. *The trucks are to replace* one-tonne Land Rover vehicles currently in service, from 1990 onwards.

Land Rover said yesterday it had decided not to proceed with manufacture of the truck it developed in order to bid for the contract.

A third contestant, the Rochester-based manufacturer Stonefield said, however, it would press ahead with its two-tonne military truck for export. It has already sold these vehicles to Malaysia.

The deal marks Reynolds Boughton's first large vehicle contract with the British Army, and Mr Stephen Boughton, managing director, said he hoped a similar number could be placed overseas during the three-year term of the contract.

The four-wheel-drive RB44 Mk II, which uses a Perkins diesel engine, is based on a commercially available lorry in wide use with electricity and water companies. The army version is designed for multiple roles including as a front-line troop *carrier, and can tow a 105mm* gun. The group has already sold a military fire-engine variant to the Greek armed forces.

The chassis frame and cab will be produced under sub-contract by Renault at Dunstable. The Ministry of Defence said it expected the first production vehicles to enter service in December next year.

Another three-cornered fight involving a traditional supplier is going on for the army's next generation of four-tonne lorries. AWD – formerly the Bedford subsidiary of General Motors, acquired last November by David Brown – is pitting its new ML 4 ×4 against Leyland DAF and Volvo as the Ministry pursues its policy of competitive tenders.

AWD said it expected the contract, which was unlikely to be decided before the mid-1989, to lead to £400m worth of sales over 10 years. Eight vehicles from each of the contestants are currently undergoing trials.

Bedford M-type four-tonne lorries, in military use since the early 1970s, are the Army's main general logistic vehicle, with some 22,000 in service. Endorsement of the new truck by the British Army is seen as crucial to export hopes.

However, AWD said it would go ahead anyway with the ML 4 ×4, occupying the bottom of the range of a new series of vehicles, even if it were not chosen.

The company's Dunstable production lines north of London are currently about half geared to Ministry of Defence vehicle requirements, with the other half destined for export.

Govan shipyard sale approved

BY FINANCIAL TIMES STAFF

THE GOVERNMENT said yesterday that it had approved the sale of the British Shipbuilders' yard at Govan in Clydeside, Scotland, to Kvaerner Industrier, the Norwegian shipbuilding company.

Mr Kenneth Clarke, the Minister for Trade and Industry, said in a written answer to a question in Parliament that talks between the two *groups had been success*ful. He also revealed that Kvaerner had secured an order for two gas ships with an option for their clients to confirm orders for two further ships later this year.

He said that the Government had *agreed* to offer intervention fund support for the orders within the limits permitted by the European Community Sixth Directive. Mr Clarke said the orders would provide work for Govan well into 1992.

"Agreement with Kvaerner *brings the promise of* a secure future for the yard, for which British Shipbuilders have not been able to win further orders beyond the two ships for China announced early last year," the *Minister* said.

Kvaerner have confirmed their intention to transfer their ship technology to Britain and to develop Govan as their centre for gas ship technology in support of activities worldwide, he said.

Mr Clarke said that, subject to the approval of the European *Commission and agreement* on "certain outstanding matters of detail," it had been decided to dispose of British Shipbuilders' Govan yard

Satellite TV 'appeals to 4 out of 10 consumers'

BY RAYMOND SNODDY

MORE THAN 40 per cent of consumers say they are *likely* to buy satellite reception equipment and there are clear signs that the public is becoming better informed about the issue involved, according to a new study.

The report by Marketing Direction and Gallup was based on interviews *carried out after* the announcement earlier this month by Mr Rupert Murdoch that he planned four advertising-financed satellite channels which can be picked up by equipment costing £199.

Since the Murdoch announcement consumer awareness of the equipment needed to receive satellite television and how much it will cost to buy has increased markedly and 911 out of a sample of 996 adults know about satellite television.

Given a dish size of 1 or 2 feet in *diameter two out of five people* aware *of* satellite television say they are "very or *quite* likely" to install receiving equipment.

"This should be seen as a very *encouraging* result for the satellite industry," Mr Paul Greenhalgh, Marketing Direction's *director* of *satellite studies* said yesterday.

Mr Murdoch's Sky Channel is by far the best known satellite channel *at the moment*.

Thirty per cent of those who have heard of satellite television believe that it can either be picked up now or will be soon. British *Satellite* Broadcasting, the UK's direct broadcasting by satellite venture due to be launched in autumn 1989 was mentioned by *only* 15 per cent.

The study also picked up considerable public confusion over the Government's announcement that it is considering an eventual transfer of BBC 2 and Channel 4 to satellite distribution.

Many people think that all four existing television channels are to be transferred to satellite. Megasat, *one of* the leading distributors of satellite receiving equipment believes it will be able to offer equipment capable of receiving channels from both Astra and BSB for a retail price *of £340 from* early *next* year.

The equipment would have a simple motor moving the dish automatically from one satellite to the other.

Trends in Consumer Awareness of Satellite Television £350 from Marketing Direction, 1 Palace Gate, Hampton Court Road, Hampton Court, Surrey KT8 9 BN.

Yorkshire wool expansion

BY ALICE RAWSTHORN

A COMPANY at Huddersfield, in the north of England, plans to invest £4m in one of the few new mills to open in the Yorkshire wool industry since the economic recession of the early 1980s.

Fred Lawton, a privately owned company which spins yarn *for the carpet industry*, is buying a factory at Meltham Mills in Huddersfield. The factory, which was purpose built in the early 1970s as a tractor plant, will be re-equipped with modern spinning machinery.

The development will be completed *within two years. Lawton* then plans to relocate its three existing mills – all based in and around Huddersfield – at Meltham Mills. Its present workforce of 350 people will move to the new plant.

Lawton's manufacturing capacity will be increased by more than 10 per cent when the mill opens. The company registered *sales of £13m last year*. It spins 70 tons of yarn every week.

The carpet spinning sector has been one of the most buoyant areas of wool textiles in recent years, because of the growth in demand from consumers for woollen carpets.

Lawton and *its fellow carpet* yarn spinners – most of which are privately owned, specialised companies based in Yorkshire – as expanded with the market. Lawton alone has doubled its output in the past 10 years and has taken on 75 new employees *within the last* two months.

The level of investment within wool textiles, and in other areas of the textile sector, has risen rapidly in recent years. Most of this investment has been directed towards improving efficiency – thereby cutting costs and boosting profitability – rather than increasing capacity as Lawton intends to do.

TV battle breaks out over rights to soccer coverage

BY RAYMOND SNODDY

A FIERCE battle for the television rights to league soccer broke out yesterday as Britain's independent television (ITV) companies said they would try to by-pass the Football League and reach individual deals with top clubs such as Liverpool.

The ITV companies are prepared to offer as much as £10m for the exclusive rights to cover top games on Saturdays and screen them on Sunday afternoons. Talks have already begun with some leading clubs in the 22-strong first division.

"We are prepared to pay considerable sums of money to the clubs which the public wish to watch on television," Mr Greg Dyke, director of programmes at London Weekend Television and chairman of the ITV Sports Committee said yesterday.

The move is a response to the arrival of satellite broadcasting as a factor in sports coverage, something which has already shattered the traditional way in which football broadcasting rights have been purchased.

The BBC and ITV have previously negotiated jointly with the Football League, eventually reaching deals after sometimes acrimonious talks. Last week, though, ITV told the Corporation it wanted to negotiate alone.

Last month British Satellite Broadcasting, the UK's £625m direct broadcasting by satellite venture, said it was negotiating a deal which would guarantee the Football League and Football Association £9m a year for the rights to broadcast football in return for some exclusive games. BSB claimed its deal would offer the football authorities more control over coverage.

A new joint venture company would exploit the world rights, eventually forcing both BBC and ITV to buy from it their rights to broadcast soccer.

Earlier this month 91 of the 92 clubs in the football league's four divisions - the exception was Liverpool, the League champions - endorsed the policy and detailed negotiations are now under way.

Mr Dyke said yesterday that the arrival of BSB had changed the equation and ITV had now made a positive counterbid.

"We are entering a new broadcasting era and the battle over football is the first of a number of such battles we can expect. It is ITV's intention to win," Mr Dyke said.

Mr Bob Hunter, managing director of NOW, the BSB channel on which sport will be broadcast said yesterday: "We are at an advanced stage of negotiations with the Football League and the Football Association and they are the people who have the rights to sell football."

The Football League is likely to oppose individual deals between broadcasters and top clubs. At the moment all 92 clubs share in the money gained from the sale of broadcasting rights.

Unless the ITV companies reach individual deals it looks likely there will be no league football on British TV when the new season kicks off in August.

Four in 10 'back satellite TV', Page 5

THF chief launches attack on Savoy's senior managers

BY DAVID WALLER

A FORETASTE of the menu for Friday's extraordinary meeting of Savoy Hotel group was provided yesterday with a bitter attack on Savoy's senior managers from Mr Rocco Forte, Trusthouse Forte's chief executive.

They had "their snouts in the trough" and were "getting everything for free," he said.

His vitriolic comments at a London press conference came four days before Savoy shareholders are to be asked to condemn THF for a bout of litigation which, if successful, could ultimately lead to it winning control of the luxury hotel group, which operates Claridges and the Connaught as well as the Savoy itself.

The larger hotel and catering group first made a takeover bid for the Savoy in 1981.

Mr Forte said his remarks were directed towards all the 12 senior Savoy managers and directors who between them earned over £1m last year.

"This is an unnecessary expense for a company which made profits of only £14m last year," he said.

Sir Hugh Wontner, the 79-year old former chairman of the Savoy, came in for particularly severe criticism, as did Mr Willi Bauer, a former employee of THF who defected to become general manager of the Savoy Hotel.

Mr Forte claimed that Sir Hugh, a former Lord Mayor of London, was still paid a salary of £43,000, even though he had retired, and still had the use of a chauffeur and the best apartment in Claridge's.

"That is an undignified way to behave," Mr Forte said. "Sir Hugh has lived for free all his life. He started without a penny and now owns two country estates."

On Mr Bauer, he said it was "ridiculous" that he should have been paid £130,000 last year; he would have got a maximum of £60,000 if he were still employed by THF.

Mr Bauer would definitely be sacked if and when THF ever won control of the Savoy, he added. "He has behaved very badly towards THF."

"What on earth do the employees think?" Mr Forte continued. "How can they respect their bosses. When we take over the company, we intend to inject a different spirit into the business."

Mr Forte denied that the legal battle against the Savoy was motivated by personal animosity, and dismissed suggestions that he was hounding an old man to his grave. "Sir Hugh should have gone out to grass a long time ago," Mr Forte said.

The legal imbroglio between the two companies centres on a block of high-voting "B" shares in the Savoy issued in 1971 as part of the acquisition of the Hotel Lancaster in Paris.

THF is arguing that the shares, with 5.77 per cent of the total votes, were issued fraudulently and so should be cancelled.

This would leave THF with 44.92 per cent of the votes and reduce the votes held by the Savoy board from just over 50 per cent to 47 per cent.

At present, THF owns over 70 per cent of the Savoy's total equity, but because of a two-tier share structure introduced in 1951 has less than half the votes.

Lex, Page 24

Newspaper shakeup worries retailers

BY PETER RIDDELL AND RAYMOND SNODDY

THE OFFICE of Fair Trading is receiving a growing number of complaints from newsagents about newspaper distribution after the drastic re-organisation of the business over the past 12 months.

The issue has been under review for some time following a Monopolies and Mergers Commission report in 1978 and an OFT report in 1986 which recommended that an appeals body should be set up to deal with disputes over newspaper and magazine distribution.

Complaints to the OFT range from retailers being denied newspapers to anger at loss of choice of wholesalers after rationalisations and poorer terms of trade.

Mr Francis Maude, the corporate affairs minister, pointed out in a parliamentary written answer last night that Sir Gordon Borrie, the director general of fair trading, had "the distribution of newspapers under review, including recent developments in distribution introduced by certain newspaper publishers."

In a separate answer Mr Maude said his department had received "a number of representations from newsagents" on the subject and these had been referred to the OFT.

His answers were in reply to questions from Mr George Howarth, the Labour MP for Knowsley North, about "the current practice of certain newspaper publishers in deliberately narrowing the options of newsagents in terms of wholesale distribution" and about "the trend towards a virtual monopoly of distribution"

In Brief

Burger box maker acts on fears over ozone

LIN PAC Plastics, biggest UK maker of expanded polystyrene fast food containers, has eliminated chlorofluorocarbons (CFCs) in its production process following concern about the environment, writes Maggie Urry.

CFCs are believed to damage the ozone layer in the atmosphere.

Lin Pac, a privately-owned company based in West Yorkshire, is the sole supplier of burger boxes in the UK to McDonald's, the hamburger chain.

It is replacing CFCs with pentane, a derivative of oil, as the blowing agent which expands the plastic.

House prices soar across Britain

House prices are soaring nationwide due to property shortages and panic buying before the August deadline for tax relief on home loans for unmarried couples, said the Royal Institution of Chartered Surveyors.

A survey of 118 estate agents show the sustained rise in house prices in London and the South East has spread most strongly to the Midlands and the north of England.

More than half of the estate agents reported a rise over the three months to May of 8 per cent, suggesting a 30 per cent rise over the year. A third reported rises of 2 per cent and none reported a fall.

Irish talks rejected

Leaders of Northern Ireland's predominantly Protestant Unionsist Party rejected a renewed offer of talks without preconditions from Mr Charles Haughey, Irish Prime Minister, made at the European summit in Hanover.

Magazine launched

Hamfield Publications, founded by former Daily Express executive Mr Frank Hampton, is to launch a weekly colour supplement for more than 30 regional evening newspapers called Plus magazine.

Whitbread US deal

Whitbread, UK brewer and retailer, has signed a franchise with TGI Friday's of Dallas, Texas, to develop the US group's restaurant chain in Europe.

Air travel losses

Britain's top 30 air travel organisers made a loss of nearly £25m in 1987, the first loss since 1974, despite a 31 per cent rise in turnover to £2.8bn, Civil Aviation Authority figures show. The top 30 companies account for 82 per cent of all licensed air holidays.

Oil theme park

Aberdeen, centre of Britain's offshore oil industry, unveiled a scheme to make the oil industry into a tourist attraction. It hopes to attract more than 450,000 visitors a year to a £15m to £20m theme park in the city called the Oil Experience.

Cellnet asks for more channels

By Huge Dixon

CELLNET, one of the UK's two mobile telecommunications operators, has asked the Government for extra radio channels to satisfy accelerating demand from customers. Vodaphone, the other operator, has not yet made such an application, raising the possibility that any new channels might be divided unequally.

Last year, when Vodaphone was given a temporary allocation of new channels, Cellnet which did not apply complained vigorously. It argued that Vodaphone needed new channels only because it had failed to use its existing channels efficiently.

Yesterday, however, Mr Colin Davis, managing director of Cellnet, said the company was not being " profligate" in applying for more channels.

Cellnet has asked for part of the radio spectrum known as Etacs. At present, Etacs is available for mobile telecommunications only in central London where demand is highest. In the rest of the UK, it is used for military purposes.

"The continual acceleration in demand which we are witnessing can only be satisfied, even in the medium term, by making more spectrum available," said Mr Davis, who was speaking at a Financial Times conference in London on Telecommunications and the European Business Market.

The Department of Trade and Industry, which is handling Cellnet's application, is understood to believe there is no urgency to provide extra channels. But if it released new channels, there is no guarantee that it would divide them equally between the two operators.

Philip Stephens looks behind the poor May trade figures

Runaway demand tilts the balance

THE TREASURY put a brave face on it. As the pound and share and government bond prices fell sharply in response to news of a record £1.2bn current account deficit in May, the official message was that things were better than they looked.

The deficit - now at £4.7bn for the first 5 months of 1988 compared to £1.6bn for the whole of 1987 - reflected the relative strength of the economy and buoyant capital inflows resulting from enhanced confidence in Britain among overseas investors.

There was no parallel with the crises of the 1960s and 1970s, which were the result of profligate government spending and borrowing. The deficit would be higher than the £4bn Budget forecast, but would be readily financed from abroad.

Unfortunately, few in London's financial markets were convinced. The general expectation is that Mr Nigel Lawson, the Chancellor of the Exchequer, will have to raise base interest rates for the fourth time this month in order to curb runaway demand in the economy and staunch the deterioration in the trade position.

Most expect an announcement today, with optimists suggesting the rise may be of only ½ point to 9½ per cent but many anticipating a move to 10 per cent.

The change in sentiment has been startling. Only last month, when base rates were 7½ per cent, there were predictions that yet further falls in borrowing costs would be needed to stabilise the pound against the D-Mark.

CURRENT ACCOUNT

	Current balance	Visible balance: Balance	Exports	Imports	Invisible Balance
1986	+0.1	-8.5	72.7	81.1	+8.6
1987	-1.6	-9.6	79.6	89.2	+8.1
Qtr 1	+1.0	-1.2	16.8	20.7	+2.2
Qtr 2	-0.2	-2.3	19.4	21.7	+2.1
Qtr 3	-0.9	-3.1	20.2	23.3	+2.2
Qtr 4	-1.4	-3.0	20.5	23.5	+1.6
1988					
Qtr 1	-2.8	-4.0	18.8	22.8	+1.2
Apr	-0.7	-1.2	6.8	8.0	+0.5
May	-1.2	-1.7	6.5	8.2	+0.5
Jan-May	-4.7	-7.0	32.1	39.1	+2.2

Figures for invisibles since April 1988 are first estimates

Now there are doubts over whether even 10 per cent will be enough to keep inflationary pressures in check.

Two things have changed.

Yesterday's figures marked the culmination of a series of indicators suggesting that demand, particularly consumer spending, is growing unsustainably rapidly.

Coincidentally, the dollar's surge against all major currencies, and especially against the D-Mark, has raised doubts over whether a stable sterling/D-Mark rate is enough to prevent accelerating inflation.

It is hard to pin down exactly how fast domestic demand is growing, but an annual rate of 5 per cent is probably a reasonable guide. That compares with domestic growth rates in Britain's overseas markets averaging perhaps 3 per cent.

That differential, apparent since the start of last year, is translating into both a surge in imports and a slowing in export growth, the latter compounded by sterling's rise over the last year.

The volume of imports, excluding oil and erratic items, was 11 per cent higher in the three months to May than in the same period a year earlier. Exports, again excluding oil and erratics, rose by a relatively buoyant 4½ per cent, but were swamped by imports.

In parallel, the cushion provided by receipts from oil exports has been gradually deflating, hit by both the 1986 price fall and by the start of the decline in North Sea output. More recently, receipts from so-called invisibles like tourism also seem to have been falling.

The current account has thus moved from a surplus of £970m in the first quarter of 1987 to a deficit of £2.5bn in the three months to May. The best it seems likely that the Government can hope for is that the trend will now stabilise - suggesting a deficit of £8bn to £10bn in 1988 - but there is a real danger thet it may deteriorate further.

Underlying yesterday's markets' reaction is the fear that a deficit of that size will translate eventually into a falling pound and imported inflation. That would coincide with a build up of domestic wage and price pressures because of capacity constraints in parts of the economy and rapid rises in house prices.

Those fears have in turn been compounded by the dollar's appreciation. By the close of London trading yesterday the pound was more than 10 per cent below this year's peak of $1.90. As a result Mr Lawson has been forced to switch his attention away from the D-Mark to sterling's trade-weighted value, which is 5½ per cent down from its peak in mid-May.

The official view is that as long as overseas investors willingly finance the deficit there is little danger of the inflationary threat turning into reality. In parallel, the argument runs, since much of the growth in imports reflects purchases of new plant and equipment, the present trend will in part be self-correcting as the new production capacity comes on stream.

The problem with that argument is that the surge in imports is in larger part a result of the continuing consumer spending boom - which will be further fuelled by what now look like dangerously over-generous tax cuts in the Budget.

The Government needs to curb that demand and, barring an emergency package of public spending cuts or an (even less likely) increase in taxes, interest rates are the only weapon it has left.

Personal incomes growth rate accelerates

BY RALPH ATKINS

THE GROWTH rate of British personal incomes accelerated in the first three months of this year but there was an increase in the proportion saved, according to official figures published yesterday.

The Central Statistical Office said personal disposable incomes increased by 2.3 per cent in real terms in the three months to March after seasonal adjustment. Compared with the same three months a year before, incomes were 5.5 per cent higher.

The rise in incomes was faster than in the last three months of 1987 and was accompanied by a large increase in consumer expenditure. The rate of growth for spending, however, was below that for incomes.

This meant there was a small rise in the proportion of income saved - from 4.4 per cent in the last three months of 1987 to 5.3 per cent in the three months to March. That was still below the average for last year of 5.4 per cent - which was the lowest for any year since 1959.

The CSO said the latest figures for personal incomes were erratic because of exceptional growth in the personal sector's income from company dividends. As a result the savings ratio figure may be artificially high.

Many independent economists believe the official figures underestimate the extent of savings by consumers. But the rise suggests consumer spending growth be easing.

Other figures published by the CSO show the profits of industrial and commercial companies grew strongly in the first three months of this year. After allowing for stock appreciation, UK profits increased by 5 per cent in tha first three months of this year.

If North Sea oil companies are excluded the rise is even greater. In the three months to March profits for other companies were 8 per cent higher than the previous three months and about 20 per cent higher than same period a year before.

The CSO said the figures are distorted by the inclusion of British Airways, Royal Ordnance and the BAA which have only been included since privatisation. It said, however, that even allowing for this, there was still a significant rise in profits.

The figures show that dividends paid by companies on ordinary shares increased by 20 per cent in the first three months of this year after seasonal adjustment. There was a small increase in spending on fixed investment

MANAGEMENT: Small Business

AUSTIN SMITH called in management consultants to help him impose some order on the rapidly growing building surveyors partnership he had co-founded. Formed by a merger of two existing businesses, Hogben Smith Barritt had grown five-fold in five years to employ 120 people in 12 offices around the UK.

"We weren't trained in management so we were flying by the seats of our pants," Smith recalls. After the management consultancy division of Stoy Hayward had spent four months looking over the business, Smith and his partners appointed a chairman, established a management board and set up sub-committees to handle matters such as finance, client development and personnel.

Smith had no previous experience of working with consultants but reckons he got very good value for his money. He is now considering using them again to carry out a review of the business's salary structure.

But not every small business's experience of dealing with the consultancy profession is as positive. One small businessman is currently engaged in a legal tussle with the consultant he called in to help him design a marketing brochureafter being presented with a bill more than three times larger than expected.

"He hit me with a bill for £8,000 which was far in excess of my budget," says the businessman, who prefers to remain anonymous because of the legal dispute. After failing to agree a compromise the businessman cancelled the deal but was then presented with a bill running into several hundred pounds for the work that had already been carried out by the consultant.

As the government's £250m Enterprise Initiative (see box), intended to subsidise management consultancy for the smaller company, gets under way, more and more small companies will

Consultancy

A delicate relationship

Charles Batchelor explains what steps small businessmen can take to ensure positive results when seeking outside advice

be making their first acquaintance with consultants.

If the long-standing complaint about the profession, that it charges fat fees for telling people what they already know, is not to be repeated consultants and their clients will need to tread carefully.

It is precisely this issue which has left John Patterson, managing director of Bantay, a Yorkshire-based manufacturer of special hospital beds, with a jaundiced view of consultants *after he called one in* to help him with his marketing.

"He sat here for a day and a half and we told him what our plans were," says Patterson. "On the second morning he said he couldn't tell us anything we didn't know. I was hoping he would come up with something new."

Patterson feels the consultant took the view that Bantay, which had grown over four years to employ six people and generate £190,000 of turnover, was not ready for establishing a marketing operation. Patterson says he did not agree with this and he is now talking with outside marketing specialists.

Patterson now admits he was probably over-sensitive to some of the consultant's suggestions and this may have accounted for their failure to work better together.

"The consultant said that because I wasn't a qualified accountant some aspects of the business seemed airy fairy to him," Patterson recalls. "He said that because I *didn't have an* accountancy background I should not be running the company. At least that is how I interpreted it. I'm *not* an accountant but I have a very good gut feel for the business because I am involved in it totally."

A major problem is that small business owners are not always clear what they can get from a consultant. "The overriding factor is: how realistic is the management *about what it wants?*" says Chris Edge, a director of the consultancy arm of 3i, the venture and development capital group. "There are more difficulties with small businesses because they have not dealt with consultants before."

"Dealing with the owner-manager of a small company *is* different," says Michael Grunberg, partner in charge of management consultancy at Stoy Hayward. "He has more of an overview but he does not have the technical grasp of a line manager in a larger company."

This requires the consultant to modify his approach when dealing with a small business. "There is much more of an education and training process in setting the ground rules for the relationship," notes Colin Wright, partner in charge of business services at accountants Peat Marwick McLintock.

It may take longer to identify the real nature of the problem facing the small firm. Falling sales, for example, might be caused by an overall decline in the size of the market, an increase in competition or an internal problem such as poor quality control. The management may have identified one area as the cause of its difficulties while a more dispassionate study by an outsider may reveal a quite different problem.

The consultant must also modify his approach when making his recommendations. "You have to be *more practical* in the advice you give," says Wright. "You have to be aware that it will be implemented by a smaller team of people who are not specialists. You have to take a no-frills approach."

The question of how far the consultant should go in helping his client implement any recommendations is one that has long clouded relations between large companies and consultants. It is no less of a problem for the smaller business.

For all his satisfaction with the advice provided to Hogben Smith Barritt, Austin Smith says the report he received from the consultants "asked as many questions as it answered."

The partners' response to this was to organise a conference at their own expense which was attended by three of the Stoy Hayward team. This "debriefing" *was necessary to crystalise the* partners' thinking and persuade them to carry out the organisational changes the consultants had recommended.

The advice of companies with a long experience of management *consultants is not to be overawed* by their presumed expertise. Roger Biddle, managing director of Ulstein (UK), a Dunfermline-based manufacturer of ships' propellers and gearboxes, has used consultants for a range of tasks in the past.

The company, which has annual sales of £3m and which forms part of a larger Norwegian shipbuilding group, is currently using a consultant to improve its *system of production control.*

He has made a number of proposals which Biddle agrees with but others which he feels are less useful. "He puts too much emphasis on things I know are not important," Biddle says.

Biddle's advice on choosing a consultant is to look at two or three, then pick one with the experience the company is looking for and ask them in for a meeting. "See if you talk the same language," he advises. "Then ask them for their price."

For all the pitfalls of dealing with consultants, the outsider's view they can give of a company's problems can be invaluable. "He is going to organise us much better, says Biddle. "We haven't got the time to do that ourselves."

Tony Andrews

Austin Smith: good value

Mixed views on a counselling initiative

THE ENTERPRISE Initiative was launched in January with the aim of helping 1,000 companies a month over the next three years with consultancy advice in six areas: design, marketing, quality management, manufacturing methods, business planning and financial and information systems.

The scheme offers a free, two-day assessment by an enterprise counsellor to determine whether the business would benefit from consultancy and which of the six subjects would be most appropriate. If the counsellor gives the green light, the government will meet half the cost (two-thirds in assisted and urban programme areas) of between five and 15 days of a consultant's time.

In the past the government has been criticised for the meanness of its consultancy support programmes. Now, ironically, the ambitious scale of the initiative has aroused scepticism. Critics doubt whether enough counsellors and consultants can be found to do a proper job.

"Where are all these consultants to come from?" asks Peter Beck, vice president of the Strategic Planning Society. "The problems small companies face are simpler but they often lack the means of dealing with them. This means there must be a greater effort in training the chief executive."

But, despite the traditional image of consultants only being interested only in expensive long-term assignments for large clients, the industry has been working increasingly for smaller companies, says Brian O'Rorke, executive director of the Management Consultancies Association.

Twenty-six per cent of the assignments carried out by the association's members in 1987 were for companies employing fewer than 100 people while companies employing between 101 and 500 people (500 employees is the maximum level for eligibility for the initiative) accounted for a further 24 per cent.

Some critics have questioned whether the tight financial limits the government has imposed on the scheme will mean it will attract the best people. With counsellors being paid £70 a day and consultants held to a maximum figure believed to be around £400 a day (though after subsidy the small firm will pay much less) fears have been expressed that the quality of assessment and advice will not be high.

Efforts have been made to make sure quality standards are maintained. Accountants Grant Thornton have been training counsellors in Scotland while the scheme contractors - The Design Council, the Institute of Marketing, the Production Engineering Research Association and 3i Enterprise Support - have been ordered to keep a close eye on quality.

Consultants must show they have been in business for two years and that they have tackled this sort of consultancy before, says Nigel Olsen, chairman of 3i Enterprise Support. The contractors will also vet the completed projects to see they have provided value for money.

By the end of May 5,000 applications had been received of which 3,000 had been given the go-ahead by the counsellors for consultancy contracts to be awarded.

Marketing has proved the most popular option accounting for 40 per cent of contracts awarded, followed by quality management with 21 per cent, design with nearly 14 per cent, manufacturing methods and business planning with 9 per cent each and financial systems with just under 7 per cent.

Some consultants expected most interest in the scheme to come from the larger, more sophisticated small companies. But, surprisingly, 80 per cent of applications which have been approved for the business planning and financial systems have come from companies employing fewer than 100 people.

Wealth of initiatives

Charles Batchelor on a study of US practice

THE REAGAN government's hands-off attitude to the economy and the well-publicised problems of the Small Business Administration (SBA) may have created the impression that small business in the US has to fend for itself.

The reality, though, is that state and city governments as well as the private sector have developed a wealth of initiatives aimed at backing the would-be entrepreneur and the small firm, according to a recent study*. The author, Emma Oxford, took a year off from her job at the Department of Employment in London to study how America tackled urban poverty and unemployment. As part of her report she looks at efforts to encourage self-employment in poorer neighbourhoods.

State and local schemes proliferated after the publication in 1978 by David Birch of the Massachusetts Institute of Technology of his research findings which showed small business was a big creator of jobs.

Despite the problems public officials have in making inherently risky investments financing schemes have remained popular and have been backed by advisory and training services, one-stop regulatory agencies and changes in public procurement policies, the study says.

Some of the most notable successes have been achieved by individual projects which have as yet been unable to replicate themselves on any large scale. The South Shore Bank in Chicago, run by a small group of enthusiasts, has made an important contribution to the revival of its community by lending initially to home buyers and then to small businesses.

"The detailed knowledge its staff have of the locality allows them to make loans which would terrify more remote bankers, the authoress notes. As a result the 7 per cent default rate on its SBA-backed loans is one third the average of all such loans in Illinois.

The bank has pioneered the use of development deposits which offer socially-conscious investors from outside its catchment area a market rate of return with assured security.

Another suggestion for the "alternative" financing of small business - though one which has yet to become a reality - is for a secondary market in small business loans modelled on the federally-sponsored market in home loans. Financial intermediaries would pool the loans, thus spreading the risk, and they could be "securitised" into bonds for trading like other securities.

To overcome the problems which face members of ethnic minority communities who try to raise finance, some groups are looking at group credit techniques. Similar in principle to credit unions which exist in the UK, they use peer group pressure to ensure that loans - typically small but frequent - are repaid. Programmes have already been started in Arkansas and in mainly Hispanic communities in Arizona.

**Work that Works: A British Look at the Employment Problem in American Cities. Available free from Chambers of Commerce, Enterprise Agencies or Mrs B. McClelland, Department of Employment, Steel House, Tothill Street, London SW1H 9NF. Tel 01 273 4765.*

In brief . . .

LARGE COMPANIES in Europe have taken relatively slowly to the idea of corporate venturing, whereby flexible links are created between large and small businesses for the development of new products and markets, but the technique is starting to find favour.

A two-day conference titled Venturing - the Corporate Development Tool for the 1990s will be held in Amsterdam, the Netherlands, on October 20-21. The conference fee is Fl2,127.50 (£600).

Contact Venture Economics Ltd, 14 Barley Mow Passage, London W4 4PH. Tel 01 994 8009.

THE RANGE of assistance available for small business is now so great that many small firms are confused by the breadth of choice. The 1988 version of National Westminster Bank's Official Sources of Finance and Assistance for Industry contains nearly 200 pages of information national and local schemes.

Included for the first time in the latest edition is a 120-page section on assistance for small firms available from more than 300 local councils. The book costs £15 but the same information is available free of charge to NatWest customers through the bank's in-house, computer-based enquiry system.

For copies of the book contact NatWest, Market Intelligence Department, 6th Floor, National House, 14 Moorgate, London EC2R 6BS.

APPOINTMENTS

Caradon new group managing director

Mr Tim Walker hes been appointed group managing director of CARADON, manufacturer of building products, including Twyfords bathrooms, Mira showers and Everest double-glazing. He takes over on June 30 from Mr Peter Jansen, who will be appointed deputy chairman and will remain chief executive. Mr Walker, who was managing director of Redland's UK activities, will have particular responsibility for the integration and expansion of Everest, the acquisition of which was completed on June 9.

★

Mr Pierre Boisjoly has been eppointed managing director of CITROEN UK. He takes over from Mr Bernard Peloux who has been eppointed director of European exports, based in Paris. Mr Boisjoly was managing director of Citroën Italy.

★

Dr John Parnaby has been elected president of the INSTITUTION OF PRODUCTION ENGINEERS from July 1. He is group director of manufacturing technology at Lucas Industries.

Mr Henry Strage, e director of McKinsey & Co., is to be the first chairman of the NEDC's food and drink manufacturing sector group.

★

Mr Paddy Sandford-Johnson is to join ELECTRA on July 4 to direct its management resourcing unit. He will lead the search for entrepreneurs and managers in the UK and the Continent who aspire to own their own businesses through management buy-outs or acquisition.

★

Mr Bernard Goodall has been appointed managing director of CASTLEGATE SECURITIES, Reading.

★

THE DESIGN COUNCIL has appointed Mr Donald Midgley as head of business development, e new post. He was finance director of Thorn EMI appliances and lighting group.

★

LAWSON MARDON GROUP has promoted Mr Hywel J. Houghton-Jones to director of group purchasing; he was group purchasing executive. Mr Nicholas Wright has been appointed financial director, custom moulding division, Fibrenyle. He was treaanry manager, Europe. Mrs Susan Brush has been eppointed company solicitor (Europe). She joins from the British Railways Board.

★

Mr Don Kennedy has been appointed managing consultant of the financial and corporate communicetion division of ADPLAN INTERNATIONAL (U.K.). He was with St. James Corporate Communications.

Mr Tim Walker, group managing director of Caradon

Managing director of Redland

Robert Napier bae been appointed group managing director of REDLAND from July 1. He has been with the group since 1981 when he was appointed financial director. Recently he has been managing director of Redland's international operations.

★

SCANDINAVIAN BANK, London, has formed an international asset trading and syndication business under the direction of Mr Gary Caesar, executive director. He was with Bank of America's loan sales operation in New York. The bank says the team, containing a nnmber of other members of Bank of America's original New York sales group, including Mr Phillipe L'Equilbec and Mr Mark Tousey, will operate out of London and New York, and should be well on stream before the end of the year.

CORRECTION

Mr Alan Hindley has been appointed marketing director of TEKTRONIX UK, not managing director as reported last Friday.

CONTRACTS

Offices at Luton

CONDER PROJECTS OF WINCHESTER - part of the Conder Group - is undertaking a £17.5m design and build contract near Luton Airport for Yuma International, to construct a 255,236 sq ft four-storey high-technology office complex, with two storeys of basement car parking. The complex - known as Century Plaza - is designed to accommodate about 2,000 people. Construction has started and is due for completion in March 1990.

★

Peterborough's central library

Cambridge builders, RATTEE and KETT, East Anglian division of Mowlem Regional Construction, has been awarded contracts valued at £6m. Among them is a £2.9m order for Peterborough's new central library, designed by Peterborough Development Corporation. The project involves construction of a two-storey, concrete frame, brick-clad building with extensive panels of glazing on all side elevations. A central light-well and staircase will help create an open and bright environment. The library will be four times the size of the existing building. In addition to library facilities, there will be an enclosed exhibition area, e lecture theatre, and meeting rooms. The project is due for completion in Spring 1990. Rattee and Kett's restoration department has been awarded the second phase of the £4m restoration programme for Ely Cathedral. Phase II involves masonry and roof repairs and the renewing of lead work and glazing in the Lady Chapel at the east end of the Cathedral. The project will last 18 months.

★

Scottish orders

RUSH & TOMPKINS has won contracts worth over £3m in Scotland. The largest is the £1.62m fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the 1970's shopping centre. At Grangemouth, on the River Forth, the company is building a depalletisation plant for Calor Gas. The design-and-build contract, worth £838,900, involves the construction and adaptation of buildings and equipment for handling, filling and checking butane and propane gas cylinders on a continuous prodoction line. In the Dunfermline Shopping Centre, the company is fitting ont a superstore for the Forth & Fife Co-operative Society. The contract inclndes plumbing and mechanical services in a shell already built by Rush & Tompkins.

There will still be a familiar appearance about a new office development in the City of London, as this artist's impression shows. At 16 Eastcheap the building on the site is to be demolished and replaced with a six-storey office block, with basement, but recreating the carved stone facade. Behind the facade the building, which is of reinforced concrete frame construction on bored pile foundations, will provide 40,000 sq metres of air-conditioned offices. TARMAC MANAGEMENT, Tarmac Construction's management contracting company, has started work on this £7.2m contract for Peachey Property Corporation. The contract is scheduled for completion at the end of 1989.

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Entry to the Exhibition costs £5.00 which includes a ticket for you and a guest, a catalogue and the opportunity to visit the FT Centenary Photographic Display and a special show of paintings by the New English Art Club.

Those attending the Exhibition will also be able to register for any of the associated conferences, workshops and events listed below. At £10.00, the cost of each is attractively low but numbers are restricted and early booking is essential.

Exhibition times of opening: *Thursday, 7 July 10.00–20.00*
Friday, 8 July 10.00–20.00
Saturday, 9 July 10.00–18.00

Programme of Events/Ticket Application Form

I/we shall attend the Personal Investment Exhibition and wish to register for the following events.
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THURSDAY, 7 JULY

10.00–13.15 OPENING CONFERENCE — CAPITAL PROTECTION AND GROWTH ☐ @£10.00=£ ......
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Speakers: Sir Mark Weinberg, Gordon Pepper, Alan Kelly, John Patterson, John West, Michael Pilch, CBE

14.00–17.15 PERSONAL FINANCIAL PLANNING AFTER THE 1988 BUDGET ☐ @£10.00=£ ......
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FRIDAY, 8 JULY

10.00–13.15 CAPITAL PROTECTION AND GROWTH FOR DIRECTORS AND SENIOR EXECUTIVES ☐ @£10.00=£ ......
Personal investment strategies for men and women at the top of companies and with businesses of their own.
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17.00–18.30 REVIEWERS' EVENING ☐ FREE
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Contributors: Anthony Curtis, Francis King, Rachel Billington

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10.00–13.00 CAPITAL PROTECTION AND GROWTH FOR THE YOUNGER INVESTOR ☐ @£10.00=£ ......
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Speakers: Richard Lambert, David Battie, John Brennan, John Edwards, Anthony Mayer

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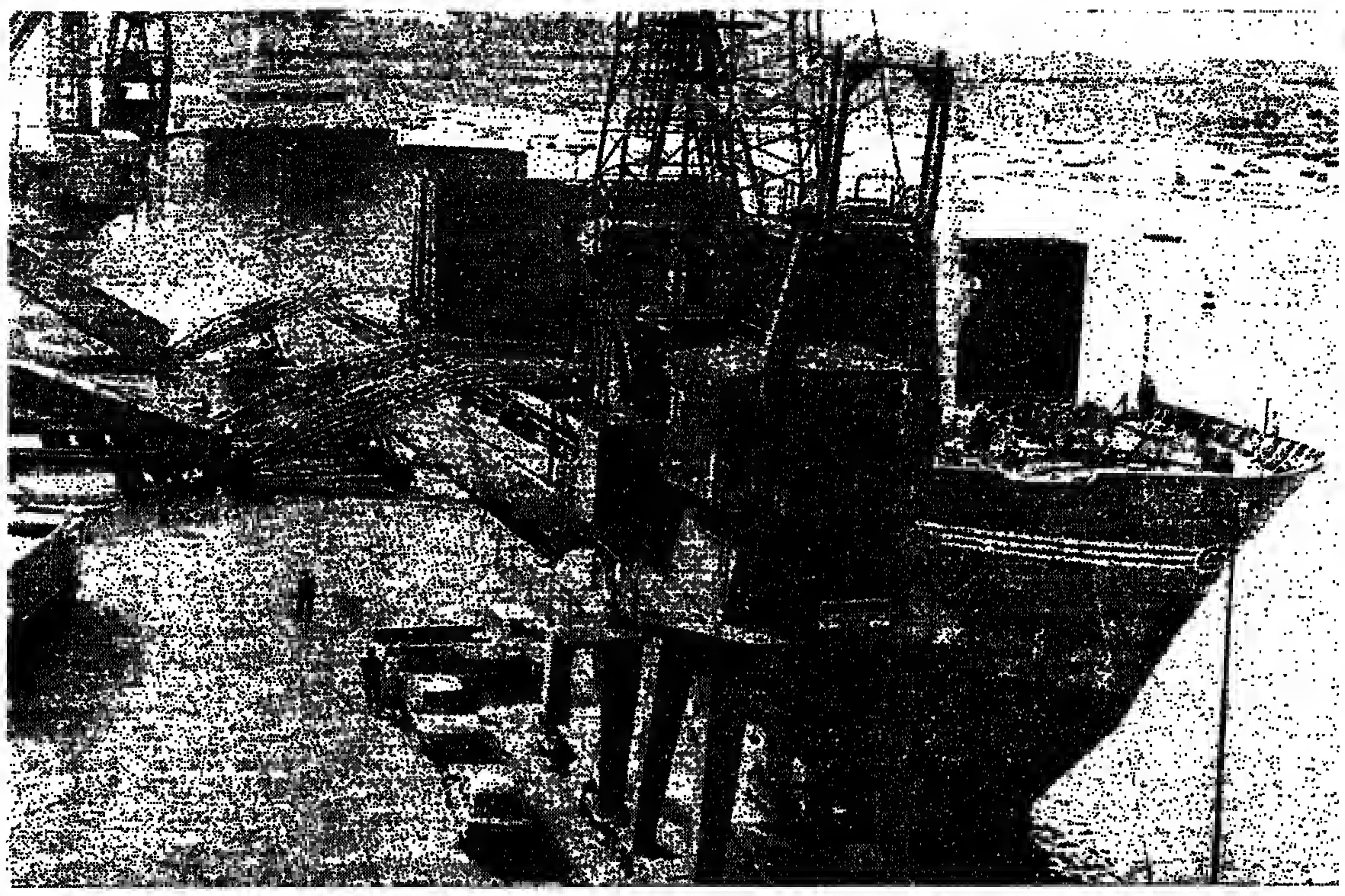
FINANCIAL TIMES
SURVEY

The structure of the shipping industry is changing rapidly as cost pressures intensify the rush into flags of convenience, and ownership becomes more complex. Regulation is also being internationalised, to the dismay of many owners. **Kevin Brown** reports.



Shipping and Ports

Searching for cost savings

THE WORLD shipping industry is going through a period of significant change in structure and organisation, comparable to the upheaval caused by the development of container shipping in the 1960s.

The root cause of the current upheaval is the long recession in shipping, which began in the early 1970s, and which has depressed returns in some sectors to the point where they do not justify reinvestment.

The search for cost savings, and for alternative ways of operating on tight margins, has caused serious strains between rival companies, between shipowners and their workforces, and between the industrialised nations of the north and the developing countries of the south.

But, as Prof. Arnljot Stromme Svendsen, of the Institute for Shipping Research in Bergen, has pointed out, the issues at stake are more fundamental than a simple attempt to make cost savings.

The real problem facing the industry, identified by Prof. Svendsen at the recent fourth International Symposium on Liner Shipping, held in Hamburg, is coping with the strains caused by moves towards rapid commercial liberalisation in an era of increasing international regulation.

The liberalisation of the industry is reflected in the growing importance of the "open" or "flag of convenience" shipping registers, which now cover more than 40 per cent of what is effectively a deregulated world fleet.

Registration with an open register can free owners from national restrictions on capital movements and foreign exchange contractions, as well as saving them large sums in crew costs.

The process of "flagging out," which was once fought tooth and nail by the maritime trade unions, and criticised at the United Nations, has now reached the point where it has become institutionalised, and is probably irreversible.

For example, all the leading open registers are now registered under the UN Convention on Conditions for Registration of Ships, an instrument which many seafaring nations had hoped would close them down.

The result has been a sea change in the attitude of the international shipping community towards open registers, and moves by the traditional maritime countries to maintain a flag link with their fleets by setting up their own "offshore" registers.

These registers essentially operate as covert "flag of convenience" registers, offering shipowners a large degree of freedom from national regulations, together with cost savings, while retaining the prestige of a traditional flag.

The International Shipping Federation, the main international forum for shipowners from all sectors of the industry, estimates that there are now more than 30 open registers, which it groups as follows:

- Independent registers, such as Liberia, Panama, Cyprus, the Bahamas, Malta, Singapore, Sri Lanka and Vanuatu;
- Dependent registers, mostly attached to the UK, such as Hong Kong, Bermuda and the Cayman Islands;
- Offshore registers, such as the Isle of Man for UK shipowners, Kerguelen for France, the Antilles islands for The Netherlands, and the Norwegian International Ship register. Similar registers are being discussed in West Germany, Denmark and elsewhere.

This move away from strict national control of shipping, which has taken place largely in the last decade, has been accompanied by an increasingly complex ownership structure.

In the case of the largest companies, ownership remains relatively transparent. But among smaller companies, the registered owner may be only a front for a series of companies set up to hide the ultimate owner. Ships can also be leased, managed by one shipping company on behalf of another, or chartered on various terms.

The extent to which registration has ceased to reflect ownership is indicated by the findings of a recent investigation by Lloyd's Register, which shows that the world's biggest shipowning nation is Greece, which stands only fourth in the league table of registered ships.

The effect of this process is that ownership, like registration, is being internationalised, which makes companies less easily controlled by national governments.

However, as the industry slips away from the governments which have traditionally expected to control it, the regulatory mantle is being picked up by an increasing number of international organisations.

Shipping has been a more-or-less regulated industry since 1888, when British lines trading to India formed the Calcutta Conference to regulate sailing frequencies and freight rates on an important imperial trade route.

Over the last century, the conference system has become established on most of the world's liner routes - where companies offer regular scheduled services - though it has never been extended to the tramp section of the industry, which covers most tankers and dry bulk carriers.

The system is regarded by most shipowners as a means of avoiding anarchy and destructive competition, though many of their customers see it as little more than an excuse for rate-fixing cartels.

From the shipowners point of view, the key advantage of the conference system was that it was largely self-regulating, which meant that governments stayed out of trading matters. Like much else in shipping, that situation appears to be changing.

The new regulatory climate in shipping began with the implementation in 1983 of a Code of Conduct for liner conferences drawn up by the United Nations Committee on Trade and Development.

The Unctad code emerged to cope with pressure from Third World countries for control of their foreign trade, which some attempted to enforce by reserving cargoes for their own ships.

The solution developed under the code has been to allocate 40 per cent of bilateral trade with developing countries to the relevant national line, 40 per cent to lines operating through the relevant conference, and 20 per cent to "cross traders" from third countries.

This compromise has always been unpopular with both the Western companies, which regard many of the national lines as unfair competitors, and the code has never been ratified by either the US or Japan.

Many of the developing countries, on the other hand, continue to regard the conference system with suspicion.

The tensions were exemplified in a recent speech by Chief Raymond Dokpesi, head of Africa Ocean Lines, of Nigeria, who pointed out that many developing countries regarded the established order of world shipping as a hangover from the colonial era.

The code has also come under more direct pressures, notably from the establishment of so-called freight bureaux in some countries, which are accused by Western companies of distorting trade by allocating cargoes between lines.

Even greater strains have been exerted on the system by a big increase in the number of independent lines operating outside the conference system, which now lift more than 50 per cent of cargoes in some trades.

The conclusion drawn from this by Western shipowners is that, in the words of Mr Karl-Heinz Sager, chairman of West Germany's Senator Linie, the code has become "an empty shell" and should be scrapped.

In fact, however, the opposite is likely to happen. Mr Abderrahmane Bouayad, director of Unctad's shipping division, concedes that the 40:40:20 arrangement is being undermined by the growth of outsiders, but concludes that the code should be strengthened rather than scrapped.

Mr Bouayad says the new conditions mean that major outsiders "can no longer be dismissed as having no obligation to the trade," and should be brought within its scope.

This issue will be debated at an Unctad Review Conference in Geneva later this year, when the developing countries will also press for the code to be extended to cover bulk shipping - a development which is regarded with horror by the owners of most of the world's tanker and dry cargo tonnage.

What worries many shipowners is that Unctad is not alone in seeking to regulate shipping: both the US and the European Community have developed

Continued on page 4

CONTENTS

Picture: A mixed cargo of wheat and barley is loaded at Cliff Quay, Ipswich, in the UK.

The world's major ports are modernising fast

Big investment plans

FIERCE competition in container, intermodal and bulk traffic has spurred many ports worldwide to instigate far-reaching investment and modernisation programmes.

The port of Singapore has plans to become world leader in container transhipment and is investing so as to take the lead from rival ports Hong Kong, Kaohsiung and Yokohama, in the all-important trans-Pacific container trade.

The total number of containers handled at Singapore during 1987 was 2.6m, 20 per cent up on 1986, which puts Singapore fourth in the league after Rotterdam, Hong Kong and Kaohsiung.

Anticipating further increases, the Port of Singapore Anthority is building a new container terminal on the island of Paulau Brani, which facility is expected to enjoy an annual 3m TEU (Trailer Equivalent Unit) throughput.

Paulau Brani will have fonr main container berths, five container feeder berths and be backed by 71 bectares of container storage area. A causeway will link the facility with the soon to be completed Tanjong Pagar container terminal which has nine new container berths and two feeder berths, further strengthening Singapore'e position.

Not to be easily overtaken, the Port of Hong Kong has launched a Port and Airport Development Strategy project to decide how much should be invested in both the sea port and airport up to the year 2011.

The study will encompass the possibility of expanding the port on reclaimed land to the east of Lantau Island. Not only must Hong Kong cope with its position as a world trade centre, entrepot and transhipment port, but it mnst take account of massiva expansion in the economy of the People's Republic of China.

In Europe, it is apparent that the port of Rotterdam intends to fight off any attempt by Singapore to displace its position in the world container handling league. Facilities are being improved at Waalbaven and Eemhaven, which between tham account for 60 per cent of all containers passing through the port.

Rotterdam Port Authority has a plan to designate a special internal container transport route to and from a goods distribution centre to be developed south of Eemhaven. This will enable traffic to move unhindered to Eemhaven/Waalhaven.

Rotterdam has been boosted by the US carrier Sea-Land's decision to retain its container operations in the Europe Container Terminus within the port.

Fundamental modernisation of port facilities and associated infrastructure is being carried out widely in the Soviet Union, the indian sub-Continent, and countries which are potential new members of the EC. The Soviet Union is improving a dozen ports in the Baltic, the Black Sea and the Far East.

Far-reaching reconstruction work will be carried out in Leningrad, Klaipeda, Tallin, Ilychevsk, Yuzhny, Vostochny and Vladivostock. New container terminals have already been completed at Leningrad, Riga, Tallin, Odessa and Vostochny.

Not least of the improvements has been the installation of computerised document handling, information and traffic-monitoring systems to make the Soviet trading position more competitive.

On the Indian sub-Continent, the Indian Surface Transport Ministry is asking for a 70 per cent increase in its US$807m budget to fund a five-year port expansion programme. The work includes deepening the ports of Paradip, Madras, Visakhapatnam and Marmagoa. Additionally, a satellite port will be built at Ennore, near Madras.

Once again, the need to meet modern trading conditions, in India's case, the loading of ships lifting Japan-bound iron ore from Madras and Visakhapatnam, is a prime motive.

Also noticeable has been the tendency of interested parties to fund port developments. In the case of Paradip, South Korea is helping with funds and Japan is assisting financially in the Visakhapatnam development.

Japan too is making development funds available for port *modernisation in various Third* World locations; and money from Europe is helping to develop the Mozambique port of Beira as an alternative to the use of South African ports for tha "Front Line" states.

World Bank finance has been of crucial importance in Turkey's efforts to modernise its ports before entering the EC. The provision of modern container facilities is a major part of Turkey's port development.

In the Philippines, the Asian Development Bank has advanced $43.5m to fund the $86.7m Second Manilla Port Project in which the North and South harbours are to be rehabilitated and new cargo gear, bulk handling systems and management and information systems installed.

China's emergence into the modern world economy is generating the need for much modernisation in that country's ports, and at Shanghai more than 60 new berths are to be built on the Yangtze River estuary as well as on the East China Sea.

This will give Shanghai an extra 70m tonnes capacity over and above the 1986 cargo total of 128.3m tonnes. Other ports in China are to be developed - for the export of coal, where China has ambitions of ousting Australia as the *major supplier in the* East.

The anticipated steam-coal demand of the 1990s is causing port development projects to be started in the UK at Hartlepool Docks, Fawley Water and Seaham.

The year 1991 will see the leading Netherland dry bulk cargo stevedore Frans Swarttouw relocate its new high-volume coal terminal at Maasvlakte in anticipation of more coal being imported into Europe in the 1990s.

The Port of Rotterdam forecasts that the port will handle 15m tonnes of steam coal in 1990, and 30m tonnes by the year 2010.

Continued expansion of the cruise business has caused ports in many parts of the world to introduce or improve cruise-ship facilities. The world leader in this context is Miami, through which 2.6m passengers passed in 1987. Miami's eleventh and twelfth passenger terminals are under construction and the Seaport Department has recently approved bids to build a bridge linking the island port to downtown Miami.

The Port of London Authority has been asked to provide np-river facilities in addition to its Tilbury passenger terminal, and Southampton has refurbished its Ocean Terminal.

The Port of Singapore Authority also intends to gain from the expanding cruise market and recently announced plans to promote the island as a fly/cruise centre. The authority is to invest $27.5m in the project, the full designs of which have yet to be revealed.

Barrie Stevens

UK ports

Seeking more change

FOR THE British Ports Federation, the trade association which represents most of the UK's 100 or so ports and harbours, the last 12 months have held mixed fortunes.

The federation (formerly the British Ports Association) has had some success in promoting the idea that changes are necessary in the complex framework of port ownership.

An approach from officials of the federation prompted Mr Paul Channon, Transport Secretary, to raise the prospect of radical change in the industry, including a measure of privatisation, to promote efficiency.

But the federation has been less successful in campaigning for the end of the Dock Labour Scheme, the 40-year-old regulations which control employment in many ports.

Sir Frederic Bolton, chairman of the BPF, undertook recently to continue the fight against the "archaic" scheme, but there appears to be little hope of substantial reform in the short term.

There appears, also, to have been little progress on a number of other fronts which are regarded by the federation as vital, including the cost of navigational aids and the issue of "unfair" subsidies to Continental competitors.

However, both these issues are under review - by the UK government and the European Commission respectively - and both may return to the forefront of events in the coming year.

Mr Channon's announcement that all of Britain's 74 publicly-owned ports were *prima facie* candidates for privatisation was delivered, appropriately, to several hundred ports officials at the BPF's annual lunch in London.

Making no bones about his preferred method of improving efficiency, Mr Channon said it was "high time" that the public sector of the industry took a close look at the benefits of privatisation.

Mr Channon did not spell out what the benefits might be, but Transport Department officials point to the improvement in the fortunes of Associated British Ports, formerly the British Transport Docks Board, since its privatisation in 1983.

Sir Keith Stuart, chairman of ABP and one of the prime architects of privatisation, has emerged as an important proponent of structural change in the industry, partly because of his willingness to speak out about distortions caused by subsidies.

This point was rammed home when Sir Keith withdrew ABP, which controls a quarter of UK port capacity, from the federation in protest at its reluctance to criticise financial support for the older ports of London and Liverpool.

The focus of the federation's campaign for structural change is the 39 trust ports, each governed by one or more individual Acts of Parliament; the 52 municipal ports, run by local authorities; and the state-owned ports of Gloucester and Sharpness, run by the British Waterways Board.

The federation says the complex legislation which governs these ports prevents some of them from competing effectively with the 40 privately-owned ports, including the 19 run by ABP.

The Government believes privatisation would be particularly suitable for the larger ports, such as London and Dover, the UK's biggest roll-on roll-off port.

Privatisation could be an option for smaller ports if they wished to pursue it, but "different conditions" might apply, Mr Channon said.

A debate on the privatisation issue is raging within the ports industry, but it has become clear that there would be substantial opposition to any attempt by the Government to force change on any authority which was unwilling.

Officials say, however, that the Government is unlikely to do this although ministerial thinking on the issue is still at a relatively early stage.

The Government is thought more likely to encourage individual trust ports to use the parliamentary private Bill procedure to promote their own legislation, effectively preparing the way for individual privatisations.

There is disappointment within the industry, however, that the Government appears to have ruled out a comprehensive Bill to relax the existing controls on fund raising and restrictions on non-port activities.

Ministers believe it would be wrong for trust ports to take on commercial powers equivalent to those enjoyed by Companies Act companies, without the corresponding accountability to shareholders.

No potential purchasers of trust ports have yet come forward, though ABP has indicated that it might be in the market for profitable acquisitions.

Sea Containers, the other major private port operator, has opted to remain in the ports business, after earlier planning to sell some of its ports, but has not indicated any interest in further acquisitions.

Among municipal ports, Boston, the small Lincolnshire port, has been put up for sale by the borough council, and is likely to become the first of the new wave of privatisations.

Meanwhile, Conservative MPs have undertaken to maintain a campaign against the Dock Labour Scheme, in spite of the defeat last month of a Backbench Bill providing for its abolition.

The scheme, which guarantees employment to dockers in 50 registered ports, was originally designed to end casual labour in the docks, and provide permanent employment for dock workers.

Most port operators, both public and private, believe abolition of the scheme would improve flexibility and efficiency in the docks, though few would like to see a return to casual labour.

But the Government appears reluctant to risk the trade union anger which would explode if it attempted to abolish the scheme, and has opted to allow it to "wither on the vine."

Port operators say this is not an option, however, because workforces in many ports have been reduced as far as possible, which means that when new dockers are required they will have to be recruited under the scheme.

The campaign is likely to continue with a further Commons debate, increased lobbying of Ministers and a pamphlet pointing out the alleged iniquities of the scheme. In addition, more than 200 hackbencb Conservatives have signed a Commons motion calling for abolition.

Kevin Brown

Profile: Oakland

Strategically placed

THE CALIFORNIAN port of Oakland is situated on the booming US West Coast, mid-way between the major ports of Seattle-Tacoma, Los Angeles-Long Beach and San Francisco. Oakland'a middle position, both strategically and geographically, is a key factor in its future and the spur which has caused the Oakland port authority to modernise energetically.

Terminals and intermodal facilities have been improved, joint venture programmes entered into with rail carriers and the port's advantages marketed aggressively to those who make the real decisions in the world of ocean trade and transport.

Oakland is situated on the Pacific Rim, that area of phenomenol growth which is expected to become the seat of economic power in the next century.

As if this were not advantage enough, the US population west of the Rocky Mountains is expected to increase 45 per cent by the year 2000, and that of the Bay Area by 13 per cent, to total 6.20m over the same period.

Oakland offers 19 miles (30.60 kilometres) of waterfront on the eastern or mainland shore of San Francisco Bay, with more than 550 acres (222 hectares) of terminal facilities and 28 deepwater berths. Of these, 19 serve container, breakbulk and roll-on roll-off ships.

It is the largest container port on the North American Pacific Coast in terms of physical size. Its annual container traffic of 960,000 ranks it among the top ports of the world.

Extensive container facilities and superior rail and road links *make the port a major gateway* for intermodal shipments to and from the 200m-plus American consumers who live beyond the Rocky Mountains.

Invastments intended to improve the port's infrastructure include the development of a new 138-acre container terminal on land leased from the US Navy, the purchase of three container cranes, and the expansion and redevelopment of the outer harbour container terminals.

Traditionally, Oakland has enjoyed a strong export traffic with the result that many carriers do not make it their first port of call. Carriers generally unload intermodal cargo at the first port of call because such freight is regarded as time-sensitive.

However, spurred on by Oakland's modernisation and marketing, American President Lines is considering the port as an initial point of entry and the port authority is seeking also to attract Taiwan's Evergreen Lines.

The latter currently uses San Francisco under a contract which is due to expire in early 1989.

Oakland features eight full container terminals and two breakbulk terminals including one that accommodates containers and ro-ro traffic in addition to breakbulk.

Oakland: an important gateway for American consumers

Container traffic is the mainstay of the port's business, which is not surprising since Oakland was the first US West Coast port to adapt to the container revolution. There are plans to facilitate the passage of larger ships by dredging the inner and outer harbour channels to 32ft and 42ft respectively.

Both channels will also be widened and the turning circle for the inner harbour channel enlarged, all of which, combined with a $100m investment programme, will benefit the proposed new 38-acre container terminal at Seventh Street.

Cargo destined for the US East Coast population is commonly unloaded at ports such as Oakland and then shipped by rail across the country with containers frequently double-*stacked*. This saves eight days compared to using a ship sailing to the eastern seaboard via the Panama Canal.

Known as the "Mini-bridge", this route now accounts for 33.6 per cent of all traffic emanating from the Pacific Rim and bound for the US East Coast.

There are 200m Americans living east of the Rocky Mountains whose cargo could be loaded in the Bay Area. Oakland wants to secure at least 30 per cent of this traffic.

Competition for intermodal traffic is very intense on the West Coast, and crucial to Oakland's plans to capture more traffic and develop an Intermodal Container Transfer Facility (ICTF), is the port authority's joint venture with American President Lines and the Union Pacific Railroad.

Tha scheme envisages the enlargement of 15 railway tunnels running through the Sierra Mountains so that double-stacked trains carrying high-cube.

Each partner in the project is pledged to invest $5m and Oakland is forging closer links with other rail roads which will also invest money on improving facilities within the port. Oakland is a port used by the Japanese motor manufacturer, Subaru, for the import of its vehicles into the US.

The port's success in this highly-competitive field is due to the care and efficiency of the ILWU longshoremen wbo maintain a good record of low cargo damage. Subaru also discharges cars at Los Angeles, Portland, Baltimore, Boston and Jacksonville.

The Japanese car shipper pits the ports and their longshoremen one against the other in a quality control competition. As a result, few cars are damaged and in need of attention following their trans-Pacific journey and tbe winning gang receives a plaque and a night out at the company's expense.

Pasha Maritime Services unloads Subaru cars in Oakland and its 50 ILWU workers have won the prize three years in succession.

Barrie Stevens

Dry cargo

Mixed prospects for rates

FOR A WHILE, up to the end of March, it looked as though the good times were beginning to return for shipowners in the dry cargo trades.

The story is reflected in the Baltic Freight Index, which rose from 554 at the beginning of 1986 to break the 1,000 barrier in *August of that year, and peaked* at 1,625 on March 23 - reflecting the highest freight rates since 1981.

For both brokers and owners it was a period of increasing confidence, tempered only by the knowledge that, even at their height, rates were only about half what the level required to justify investment in replacement tonnage.

The crash came in April, when the index slumped 400 points, recovering to 1,500 in mid-May only to return to the downward trend, and falling to not far above 1,200 by mid-June.

The question facing the market now is wbether the slump is a temporary correction, or whether rates are heading inexorably back towards the dismal levels of the early 1980s.

In the short term, rates remain volatile, particularly in the grain trade, which depends greatly for upward movement on demand, or the perception of likely demand from Soviet and Chinese charterers.

The indications for the longer term remain mixed. For example, second hand prices have risen strongly, indicating increased confidence on the part of owners, but this is likely to mean a substantial fall in the level of scrapping to well below the 1987 total of 6m deadweight tonnes.

However, only 5m deadweight tonnes is due for delivery this year, so that the overall increase in the trading fleet, and the corresponding rise in theoretical *over-capacity, will be small.*

There is also a question mark over the amount of combination tonnage which may be switched from the dry cargo market, where abont three-quarters is currently thought to be trading, into the tanker market.

This element of the equation depends on the balance of supply and demand in the tanker sector, which is itself difficult to forecast, partly *because* of unpredictable fluctuations in the price of oil.

There is little comfort in the forecasts for world seaborne trade, which is expected to grow by only 0.8 per cent this year, according to the latest estimates from the International Association of Dry Cargo Shipowners (Intercargo).

Intercargo, quoting figures produced by Fearnley's, the Norwegian shipping analysts, forecasts a standstill in the coal trade, an increase of just 3m tons to 323m tons in iron ore cargoes, and a rise of 5m tons to 185m tons in grain shipments.

The hulk of the forecast improvement, small as it is, is expected in the "other" trades, such as bauxite, phosphates, and commodities such as steel materials and manufactures, which are forecast to increase by 10m tons to 1,390m tons.

If anything, it is possible that these forecasts could be optimistic, since falling oil prices could weaken steam coal demand, and growth in Japanese and European steel production appears to have slowed, which could reduce demand for iron ore. The grain trades remain inherently volatile.

In the end, many analysts agree that the health of the market depends more on avoiding worsening over-capacity than on the underlying level of demand.

The good news bere is that eubstantial new tonnage is unlikely to enter the market before 1990-91, thongb an increased level of *ordering could* have serious implications for long-term confidence.

The Zeebrugge ferry disaster raises vital issues

Commercial pressures behind ro-ro safety

TWO ISSUES have dominated the UK ferry industry over the last year: the continuing debate over safety in the wake of the Zeebrugge disaster in March 1986; and the five-month dispute between the National Union of Seamen and P&O.

In the eyes of many observers, including the union and relatives of some of the 193 victims of the Herald of Free Enterprise capsize, the two issues are inextricably entwined.

On this view, the manning cuts demanded by P&O are a response to the same competitive pressures which caused the Herald's crew to sail from Zeebrugge with the ship's bow doors open.

The only difference, according to the union, is that P&O is now under even greater pressure to improve profitability because of the construction of the Channel Tunnel, due to open in 1993, which will undoubtedly poach a large share of the existing ferry market.

Both the Government and the ferry owners have resisted suggestions that safety is in any way threatened by commercial pressures.

But this was not the view of the public inquiry into the Zeebrugge disaster, chaired by Mr Justice Sheen, which noted that ships' officers were under pressure to sail earlier than the appointed times, and were tempted to cut corners.

More fundamentally, several naval architects and a number of responsible professional bodies have expressed concern over the basic design of roll-on roll-off ferries like the Herald, which is dictated solely by the demands of commercial viability.

Essentially, the problem is that vehicle ferries are viable only if they can carry large numbers of vehicles, and can be loaded and unloaded easily and quickly.

World's top 12 ferry operators
(by tonnage)

		Gross Tonnage	Ro-ro Ferries	Non Ro-ro Ferries	Total
P & O/European Ferries	UK	190,475	20	0	20
Danish State Railways	Denmark	163,129	30	0	30
Tirrenia di Navagazione	Italy	160,799	27	2	29
Viking Line	Sw/Fin	151,175	10	0	10
British Columbia Ferry	Canada	119,855	21	0	21
Stena Lines	Sweden	118,426	8	0	8
Silja Line					
Kurushima Dockyard	Japan	101,481	10	1	11
Marine Atlantic	Canada	98,726	9	3	12
DFDS	Denmark	97,821	9	0	9
Sealink	UK	93,792	22	1	23
North Sea Ferries	UK/Neth	89,473	5	0	5

Source: Financial Times Business Information

The solution developed since ro-ro ferries first appeared in the 1950s has been to provide one or more car decks, acceesible through large doors in the hull, and usually running the length of the ship without intervening bulkheads.

This means that neither space nor time is wasted; but it also means that comparatively small *quantities of water entering the* vehicle decks can cause the ship to develop a heavy list, and eventually capsize.

This problem, called the free surface effect, was what caused the Herald to capsize, although the water which caused the list reached tha car deck only because the bow loading doors were left open.

The element of crew failure involved in this has allowed the ferry companies - particularly P&O - to claim that the disaster was caused solely, or largely, by human error, and was not the result of a fundamental design problem.

The Transport Department has also stuck rigidly to the position that ro-ro ships are safe as long *as they are operated properly.*

Consequently, regulations improved since the disaster have concentrated on operational improvements, such as the use of closed-circuit television, boarding cards, loading computers, weighbridges, and emergency warning lights linked to sea doors.

There has been some criticism of the Government over this, on the grounds that the UK is moving faster than the International Maritime Organieation, the United Nations agency responsible for safety at sea.

For example, the International Chamber of Shipping, which represents the owners of more than half the world's tonnage, has protested strongly against the Government's unilateral action, which differs in several points from new regulations recently approved by the IMO.

Undeterred by this, the Government has pushed ahead with the changes, together with a comprehensive maritime Bill which makes managers of ferries legally responsible for their operation - plugging a gap in the law exposed by the Zeebrugge incident.

The Department is also likely to require about 30 ferries built before 1980 to be brought into line with later stability standards, although no decision has yet been reached.

Shipowners have complained that some of the requirements *being introduced* by the Government are unnecessary, and that their costs are being raised above those of Continental competitors who are not bound by the same rules.

But the cost of the improvements would be small: abont £250,000 to update the pre-1980 ships, for example.

What really worries the shipowners is the prospect of unilateral British action on design changes. The case made by the owners, represented by the General Council of British Shipping, is that passengers would not be prepared to pay significant extra fares in exchange for more safeguards against the unlikely event of a collision.

They say the only practical way to keep British ferry owners in business in such circumstances is to ban foreign vessels from entering British ports, possibly in contravention of European Community and international law.

The Government, recognising the strength of feeling on the issne, and the importance of maintaining a viable ferry fleet, has set up an independent research programme into design and stability, which is expected to report in three years' time.

But this is not good enough for some experts, many of whom say action is required urgently if another major disaster is to be prevented.

The most significant criticism came two months ago from the Royal Institution of Naval Architects, the professional body for British ship designers, which says ro-ros are "unacceptably vulnerable" to rapid capsize, particularly after a collision.

The institution, in a report, says it accepts that few such accidents have occurred, but warns that "a single accident to this type of vessel can lead to cata-*strophic loss of life*, and the risk of such a consequence is too high."

It describes the operating improvements introduced by the DoT as welcome but short-term, and claims the Government has not dealt with the dangers of vehicle deck flooding, and the difficulties of evacuating thousands of passengers in a short time.

The institution says technical solutions to the problems of rapid capsize are available, and should be adopted immediately.

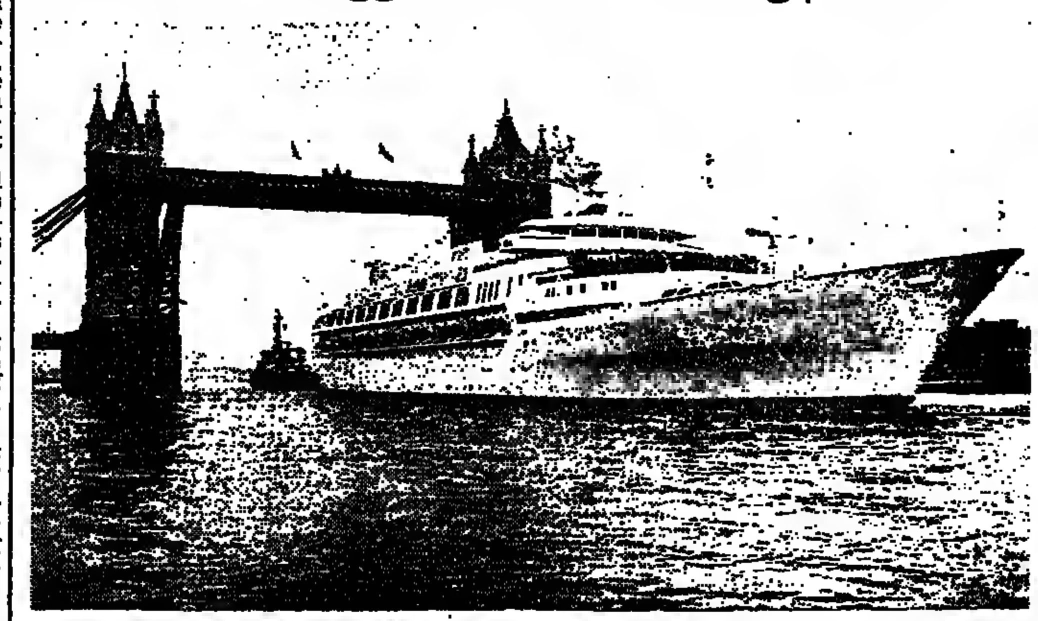
It urges shipowners to fit moveable transverse bulkheads, or longitudinal bulkheads, to prevent free surface effect, and for wing tanks and bouyant material to be added to bulls to improve stability.

The Nautical Institute, the professional body for master mariners, also says some ro-ro vessels are inherently vulnerable to capsize following a collision, and has called for immediate action to increase the safety of all ships visiting UK ports.

The Government shows little sign of acting on these recommendations, however. Ministers say only that they will be studied carefully and taken into account.

Kevin Brown

More and bigger vessels are being planned



The 12,200-ton Ocean Princess, flagship of Ocean Cruise Lines, berths in the Pool of London, the largest luxury cruise ship to do so for nearly ten years

Cruise ships ordered

EVENTS IN the cruise market took an unexpected turn earlier this year, with Mr Ravi Tikkoo's announcement of an ambitious $500m (£282m) plan to build the world's largest cruise ship.

The plan, codenamed Ultimate Dream, depends on the availability of subsidies of about £70m from the UK Government so that the vessel can be built at the Belfast shipyard of Harland and Wolff.

However, it may remain little more than a dream if the initial reactions from Ministers and officials stay lukewarm.

But whatever its fate, the Tikkoo project illustrates the confidence in the future of this sector of the shipping industry which seems to be welling up on almost all sides.

The most obvious sign is a spate of plans for new ships, including a second possible contract for Harland and Wolff from a group of UK businessmen calling themselves the Institute for Production Control.

Outside the UK, Kloster Cruise - controller of Royal Viking Line and Norwegian Caribbean Line - has drawn up plans for an even bigger ship, code-named Phoenix, which may be built in Japan.

Other major orders include three ships of 70,000 gross tonnes for Carnival Cruise Lines - the world's biggest cruise operator - from Wartsila of Finland, and two ships for Holland America Line, which operates from the North American West Coast.

In addition, P&O is rumoured to be considering a new ship, Cunard is known to be assessing its market options, and Royal Caribbean Cruise Lines is considering a sister ship for the 73,000 gross tons Sovereign of the Seas.

RCCL recently announced a preliminary agreement to combine under a new holding company with Admiral Cruises, a deal which will create a fleet of eight ships with over 9,000 berths.

Shipping analysts have long predicted a degree of rationalisation in the cruise industry, but it is still to early to judge whether this is the beginning of a major reconstruction, or simply a prescient business arrangement.

The background to all this activity is an industry which last year catered for about 2.3m people, and which is growing at about 12 per cent a year.

About 80 per cent of the passengers carried last year were Americans, and a number of studies have indicated that the number of US citizens who have taken a cruise is only a fraction of those who would like to.

This apparently almost untapped market is the driving force behind the rapid expansion of the industry, as operators seek to establish a niche in a sector in which consistent growth is forecast throughout the 1990s.

Strong growth is also being forecast in the Japanese market, which is currently extremely small - less than 118,000 passengers last year - despite the increasing economic strength of Japan.

The Japanese traditionally have been reluctant to take holidays, and in any case have been largely unwilling to travel on Western ships in the absence of vessels owned and crewed by Japanese.

This is set to change, however, in the light of an official Japanese government attempt to boost overseas travel by about 30 per cent by 1991, and the entry of several Japanese shipping lines into the cruise market.

Interestingly, the three companies which have decided to take the plunge take very different views of the prospects for Japanese cruise shipping.

NYK, which will have a ship in operation from 1990, plans to concentrate on American customers seeking cruises in the Japan Sea, South Pacific and in Alaskan waters.

Its two competitors, Mitsui OSK and Showa Line, both plan to concentrate on the Japanese market, although MOL appears to be planning to operate significantly downmarket of Showa.

K.B.

Container shipping services are in intense competition

Rivals fight for Atlantic

FOR MUCH of this year the attention of the liner sector - principally container ships offering scheduled services - is likely to be concentrated on the fragmented North Atlantic market.

Both rival shipping lines and shippers - their customers - will have their eyes on four major developments:

- Dart Containerline's decision to leave the North Europe Atlantic Conference (NEAC), to bid for increased market share outside the established freight rate structure;
- The entry into the market of Maersk, the big Danish operator, offering an express westbound service, also outside the conference system;
- A slow-speed service operated by Sea Land of the US, P&O of the UK and Nedlloyd of The Netherlands, using the 12 Econ class ships which caused US Lines to go out of business;
- An inquiry by the Commission of the European Community into an agreement, known as Eurocorde, between NEAC and the non-conference lines Polish Ocean Lines and Evergreen, of Taiwan.

The big battle will be between Maersk and the Sea Land consortium, which are approaching the market from very different angles.

Both stress the importance of an intermodal approach, under which the ocean voyage is regarded as just one leg of a door-to-door delivery process involving road and rail vehicles as well as ships.

However, the Maersk express service uses ships capable of steaming at 24 knots, and offers an ocean crossing up to four days quicker than that offered by the Sea Land consortium, whose ships are capable of only 19 knots.

The Econ class ships, renamed Atlantic class, have been substantially modified since they proved too big and too slow for US Lines' round-the-world service, and they are more suited to the shorter trip across the Atlantic.

It is not clear how the consortium proposes to combat the faster Maersk service, though both Sir Kerry St Johnstone, chairman of P&OCL, the container arm of P&O, and Mr Henk Rootliep, chairman of Nedlloyd, say they aim to make up the time on the US land leg.

"What really matters is the whole intermodal delivery time, the service quality and the cost," Mr Rootliep says. "Maersk will cause an upset, but the North Atlantic is always a changing scene."

Sir Kerry, who says the Sea Land deal is "quite sensational," says the market is not "speed conscious" about the seaward leg, and claims the scheduling possibilities offered by the 12 ships will have more impact.

Both sides will be eager to avoid a rates war, although the Sea Land consortium would be well placed to compete, since the Econ ships were acquired cheaply in distress sales.

"Maersk are obviously good operators, but they are well managed and just as interested in the bottom line results as everyone else," Sir Kerry says. "So we are not expecting their competition to be by way of rate cuts, but through service."

Elsewhere, most shipowners say the Europe to Far East trade is "reasonable," although the Australian trade has weakened steadily because of the problems of the local economies - a particular problem for P&O, which has 20 per cent of the trade.

On the Pacific, rates continue at dismally low levels - below the level of 1979 on the eastbound service - and almost all operators continue to make losses. This includes the big six Japanese lines, which recently announced almost uniformly bad results.

Kevin Brown

Profile: Felixstowe

Among top container ports

LAST YEAR was a milestone in the continuing development of the booming British port of Felixstowe, in East Anglia.

It was in 1967 that the port became part of the P&O Group and for the first time recorded a throughput of more than 1m 20ft TEU (Trailer Equivalent Unit) containers.

This achievement is due mainly to a full year of operations at the Trinity Terminal which is now established as one of Europe's leading container facilities, putting Felixstowe among the top five European ports.

While Felixstowe is the first UK port to reach the magic figure of 1m TEU, it is having a hard time with the problems stemming from its very success.

These range from congestion, especially severe when high winds stop the cranes from working, to the hijacking of trailers, shortages of trained staff and a seemingly non-stop changing of telephone numbers.

Work has started on a 72-metre extension of Trinity Terminal to help ease the chronic space shortage, but no real improvement will come about until the Felixstowe Dock and Railway Company undertakes development work as permitted by the recent parliamentary Private Bill designed to extend the port's legal limits.

Felixstowe's Trinity Terminal was opened in 1986 at a cost of £40m, but so rapid has been the port's expansion that the company intends to use the powers contained in its print bill to effectively build an extended Trinity Terminal. Plans are now being drawn up under which the terminal's quay length will be extended by 300 metres and about 90 hectares of back-up space laid.

Cargo traffic through the port has increased 20 times since 1965 and now stands at 12m tonnes a year. Container traffic has quadrupled since 1977 but the port still faces competition from Continental ports such as Rotterdam, Antwerp and Zeebrugge, all of which are the subject of massive government-funded expansion.

Rotterdam claims to handle almost as much UK traffic as Felixstowe and if the latter fails to maintain expansion and modernisation progress, the trend towards transhipping deep-sea cargo through European ports will accelerate.

This in turn would raise the costs of British exporters who would have to ferry their goods to the Continent for onward shipment by deep-sea shipping lines.

On the commercial front, Felixstowe has again become a port of call for the "motherships" of the carrier Sea-Land, which is making use of the Trinity Terminal on its feeder service linked to Rotterdam.

Acquired by Sea-Land from the bankers of the collapsed United States Lines, each of the nine ships lifts 3,400 to 4,458 TEU.

Much of the trade to and from the Irish Republic now passes through Felixstowe. Relatively small feeder ships berth close to deep-sea ships in the Trinity Terminal and collect containers for Dublin and Cork.

Irish importers regard the port as best suited to their needs as it is the first inwards port of call for deep-sea carriers. Dublin agent, James Scott & Co reports handling 50,000 TEU during 1987, which is 40 per cent more than for 1986.

Felixstowe also handles a lot of Irish exports such as glass and dairy produce; the carrier is Bugsier Line. The same company ships Dublin-brewed Guinness through Felixstowe in container-ised kegs.

Another important customer at Felixstowe is the Maersk Line, which in early spring this year began a new North America service operating a ship lifting 3,600 TEU. At 294 metres long, this was the biggest ship so far to dock at the port.

Spring 1987 saw Maersk inaugurate a Felixstowe-Rotterdam feeder service using the vessel Maersk Tempo which berths at the Trinity Terminal three times a week and links with Maersk's Far East services.

Another important Felixstowe-based operation, operated by British Continental Shipping Line, runs between Felixstowe, northern Europe and Israel. It serves Felixstowe, Flushing, Bremen, Ashdod and Haifa every 20 days.

This is a totally independent operation using the 215 TEU Brasiliana and the 185 TEU Africana. In the meantime, the HUAL roll-on roll-off service plying between Felixstowe and the Middle East and Far East is doubling its calls at Felixstowe to one per week.

Felixstowe has also been something of a pioneer in the field of EDI (Electronic Data Interchange). Felixstowe's particular system is known as FCP 80 and is a computerised customs clearance system.

Now in its second phase, it contains an inventory control which creates a computer file and manifest for each ship while maintaining security of information.

The system gives a detailed record of identity and the current status of imports and exports within the port area.

Phase One, already completed, was a direct trader input system. Phase Two has still to be implemented in the ro-ro part of the port and Mr Paul Briginshaw, retiring director of the Felixstowe Port Users' Association, once claimed that many companies were slow in putting the EDI system into full effect.

The FCP 80 system is owned and managed by the Felixstowe and Harwich port communities through a company known as Maritime Cargo Processing.

It is actually operated by the Felixstowe Dock and Railway Company and last year handled 470,000 import entries. The system earned a £2m profit last year and the profit for 1988 is expected to be £2.5m.

One of Felixstowe's strengths is that it is not a part of the Dock Labour Scheme and has good industrial relations with the 1,855 dockworkers, many of whom enjoy an average pay of £16,500 to £17,000 a year.

Felixstowe made a profit of slightly more than £9m for the year 1987 and with freight traffic booming and peaceful industrial relations assured, seems well able to maintain its recent growth.

Barrie Stevens

Brokers seek bigger steps to modernise

Brighter prospects for a revival

THE BALTIC EXCHANGE - unkindly described by one broker as a "vast Victorian mausoleum" - has suffered with the shipping industry for the past few years.

But the future now looks brighter than it has done for some time. "There are reasonable prospects for hope and a revival," says Mr Derek Walker, chief executive of the exchange.

"The market is on a better base. A lot of tonnage has gone and a lot of shipbuilding capacity has been removed. There is confidence that no unwise ship construction will take place now."

Mr Paul Vogt, vice-chairman of the exchange, agrees. "The fundamentals are good - on the current basis we're going to have a thriving market again."

The lean times have taken their toll of members, although Mr Walker points out that the current membership of about 2,000 compares favourably with the range of 1,200 to 2,500 members over the past 80 years in St Mary Axe in the City.

The harshness of the business climate has also raised questions about the usefulness of the exchange, which has gradually become a centre for gathering information rather than fixing deals.

Its fiercest critics, who feel it should be doing a lot more to keep up with the times, believe there is no room for complacency even though the shipping market is improving.

The harshness of the business climate has also raised questions about the usefulness of the exchange

"I don't believe they are taking advantage of the opportunities available," says Mr James Gray of GNI Futures. "It could be such a fantastic place."

The introduction of a Cellnet radio telephone network in April was a step in the right direction towards the modernisation that some brokers would like, he says. But he wants to see the installation of a computer system which at the least could collate information on ship movements and the whereabouts of cargoes.

The Baltic Exchange built its reputation and strength on the exchange of information, he says, and it should use every type of technology to continue to attract people to the market.

He cites the Baltic Freight Index (BFI) - "the first new thing we've done for many years" - as an example of how innovation can benefit the exchange.

The index was started at the beginning of 1985 to provide an underlying basis for the contracts offered by the Baltic International Freight Futures Market, known as Biffex. Every working day a panel of eight brokers compiles the index, which is published at midday, on the basis of dry cargo freight rates for 13 shipping routes.

"The interesting phenomenon is that it has become of considerable importance to the shipping industry," Mr Gray says.

Mr Richard Duncan, chairman of Biffex, agrees. "The BFI has become a major talking point in the shipping world, whether people are interested in futures trading or not. It keeps the Baltic's name in all the media throughout the world."

"The BFI has been one of our big successes," Mr Vogt says. "It gives the market a daily yardstick instead of vague sentiment."

He thinks that the index is probably used rather more than the futures market, but Biffex is itself a unique attraction for the Baltic.

Biffex was launched in May 1985 with a dry freight futures contract based on the BFI, which was created for its use. Each traded lot is measured by the index points, worth $10 each.

The contract, the only one of its kind in the world, led a pretty staid existence until the beginning of this year, when prices suddenly took off as the supply/demand balance in the shipping market at last began to change for the better.

The July contract reached a high of 1,625 points on March 23, compared with 969 on the same day in 1987 and 1,166 at the beginning of this year. Through April it declined 400 points before rising sharply to 1,500 on May 17. Since then it has once more fallen sharply.

Futures traders revel in volatility, and the growing success of the contract has fed upon itself. In April daily average turnover was 727 lots, compared with 371 in April last year. The record number traded in one day reached 1,735 lots on May 19.

"An awful lot depends on volatility," Mr Duncan says. If it continues, he believes there is a good chance that the market could reach an average daily trading volume of 1,000 lots.

"There is healthy liquidity. Biffex is showing every sign of being a mature market," he says.

Mr Walker of the Baltic believes Biffex has not only been useful in bringing about the birth of the BFI, but it has also given the Baltic Exchange more of a financial image. It has given both ship users and owners a "good professional opportunity" in the chance to hedge, and brought in speculative money to shoulder some of the risks of the business.

Mr Vogt agrees. "Biffex is one more reason why business should come to London."

In the background there is always the possibility of reintroducing a tanker contract to add to the dry freight contract. A tanker contract was launched in February 1986, but the timing coincided with the collapse in crude oil prices and the contract was closed at the end of the year.

Biffex is now part of the Baltic Futures Exchange (BFE), a Recognised Investment Exchange which started trading in December. The BFE also includes the London Potato Futures Market, the London Meat Futures Market, the Soyabean Meal Futures Market and the Grain Futures market.

The exchange was set up to avoid duplicating the regulatory and administrative costs involved in becoming a recognised exchange under the financial services legislation.

The removal of the Corn Exchange to the Baltic in April means that all London's agricultural markets are now under the one roof, helping to reaffirm the Baltic's position in the City.

Meanwhile Mr Vogt is confident that London remains a much more effective and efficient shipping market because it has the Baltic.

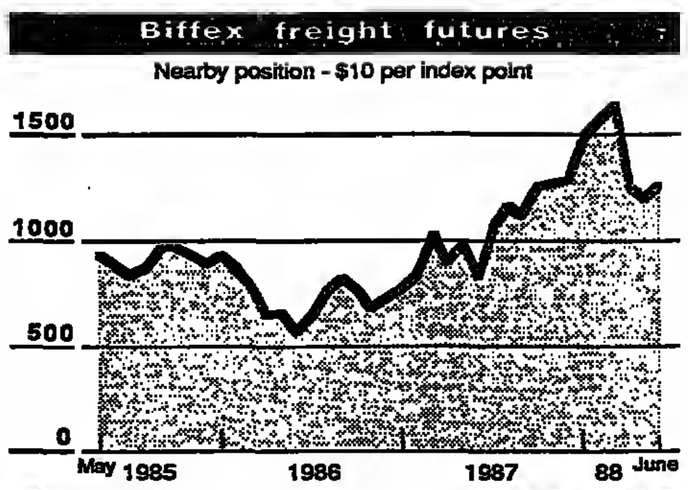
"Going to the Baltic is a much better way for brokers to pick up information than from their offices. It is a disciplined market, correct and ethical," he says. In addition every member has to have liability insurance - the only place in the world where this applies.

"Ship brokers have been the City's poor relations - it's changing, and not before time," he says.

Mr Walker, who believes the biggest single problem facing the Baltic is the high cost to firms of maintaining offices in the City, agrees.

"We have had very, very hard times for a long while - now they're getting better."

David Blackwell



Tanker market

Uncertainty behind the optimism

FORECASTS for the tanker market are largely optimistic in the short to medium-term, but if there is a consensus, it is that the only certainty is uncertainty.

For the moment, most of the indicators appear to be positive, despite a fall of 10.3 per cent in the spot market in May compared with the year before.

The total of laid-up tonnage is at its lowest point for many years, while owners' confidence in the future is reflected in a dramatic fall in the rate of scrapping, together with a rise in secondhand values and a steady increase in tonnage on order.

Underlying this improved confidence is the view that the fundamentals of the market are largely set fair for at least the next couple of years.

For example, the Organisation for Economic Cooperation and Development recently revised its forecasts upwards, and is predicting growth of 3 per cent this year, declining slightly to 2.5 per cent in 1989.

World oil seaborne trade development 1973-87

(m tonnes)

	Crude oil	Products	Total
1973	1366	274	1640
1975	1263	233	1496
1977	1451	273	1724
1979	1497	279	1776
1980	1320	276	1596
1981	1170	267	1437
1982	993	285	1278
1983	930	282	1212
1984	930	297	1227
1985	871	288	1159
1986	958	305	1263
1987	963	302	1265

Source: Fearnleys, B P Statistical Review of World Energy; Ocean Shipping Consultants

Oil consumption in the 24 industrialised countries is forecast to increase by 2 per cent this year - which implies a rise of 0.32m barrels per day in the US - the biggest single market.

After taking account of a forecast decline in US oil production of 0.13mbd, this means that US imports could rise by 0.45mbd - the equivalent of 275bn tonne-miles on the Cape route from the Middle East Gulf, or about 23 very large crude carriers steaming at 12 knots.

In fact, the actual increase in tanker demand is likely to be about half this total, according to Intertanko, the International Association of Tanker Owners, because a large part of the increased imports will flow from Latin America, Africa, and through the Suez Canal.

Nonetheless, the short-term outlook is optimistic, especially given the ageing profile of the world fleet, which ought to mean that an increasing number of ships will soon be coming to the end of their useful lives.

There are a number of downside risks, however, including the increasing trend towards substitution of oil by other energy sources, and the supply-side uncertainties caused by the inability of the Organisation of Petroleum Exporting Countries to control production.

The total of laid-up tonnage is at its lowest for many years, with a steady increase of tonnage on order

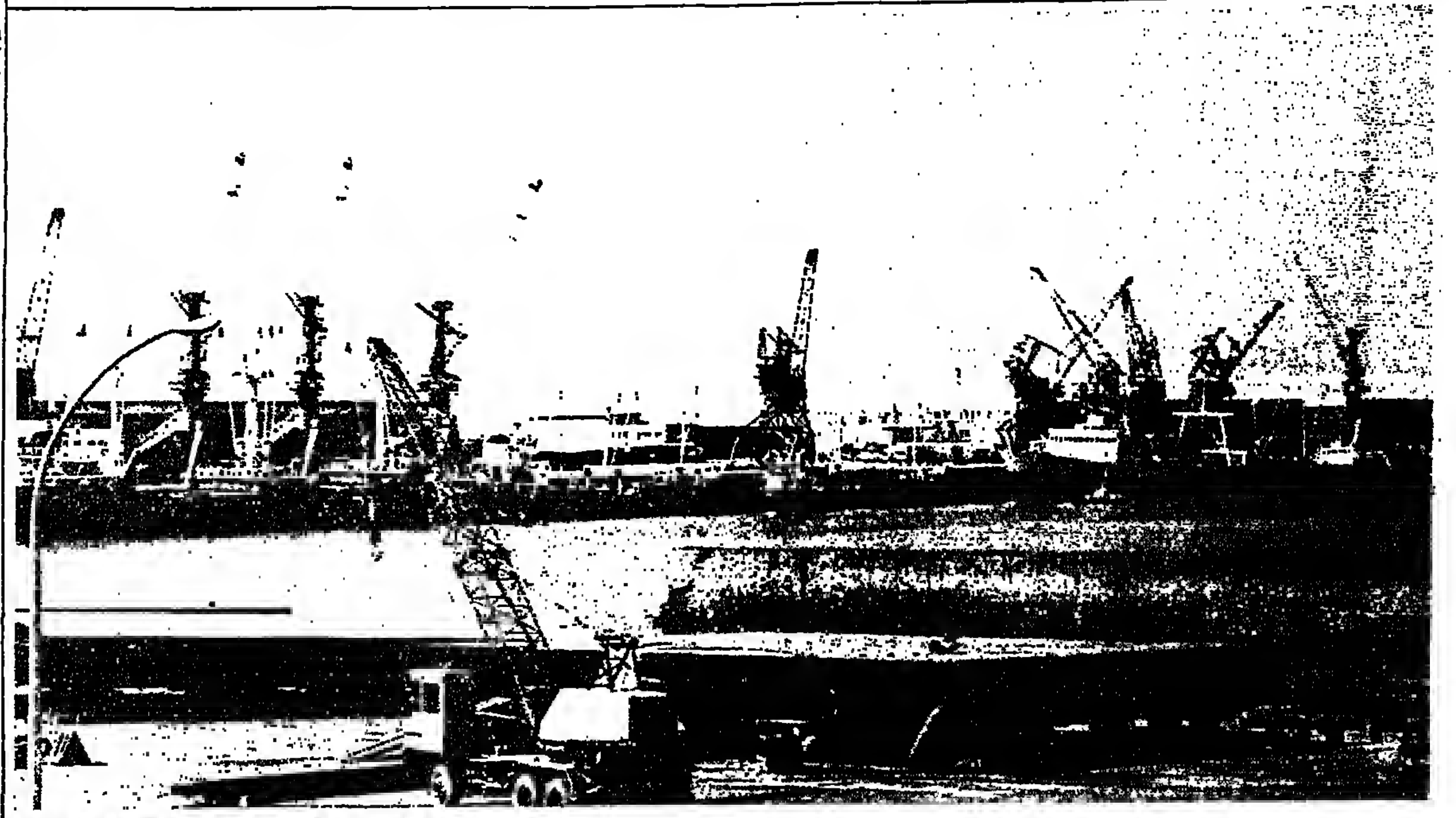
Ocean Shipping Consultants of the UK also pointed out in its recent publication Tankers: Demand and Profitability in the 1990s, that market uncertainty was being increased by the trend towards shipping refined products, as downstream industrial development continues in many oil-producing countries.

In the longer term, demand for tankers could be reduced significantly by the increased use of pipelines: two currently under construction in Iran and Iraq could lead to a cut in demand of 136bn tonne-miles a year, according to Intertanko.

Great uncertainty is also being caused by the seemingly never-ending Gulf War between Iran and Iraq, which has led to attacks on hundreds of merchant ships, many of them neutral tankers.

However, the key to long-term profitability for the tanker industry will be whether owners can refrain from creating a boom in ordering which would lead to renewed over-capacity and a further spiral of decline in rates.

Kevin Brown



Boulogne: preparing for the EC changes in 1992

Profile: Boulogne

Facing pressures from the Tunnel

DRIVE ALONG the coast road from Calais to Boulogne, and you pass a piece of the future - the dusty construction site near Sangatte where the Anglo-French Eurotunnel consortium is building the Channel Tunnel.

The Tunnel, less controversial in France than in the UK, is already a fact of life for the inhabitants of the Nord Pas de Calais, although it is not due to open until 1993.

But for Calais and Boulogne, the two main ports of the region, it presents problems similar to those faced on the English side of the Channel by Dover and Folkestone.

The difficulties are probably most severe for Boulogne, which fears that commercial pressure on the shipping companies may cause them to concentrate future services on the more popular route to Calais.

This threat is heightened by uncertainty over the future of the port of Folkestone, which is the English destination for Sealink services from Boulogne.

Boulogne hopes that ferry passengers will continue to be attracted by improvements in the local road network, and by its reputation as a more pleasant town than Calais.

In the worst case, however, the port could face the loss of all its tourist traffic, which provided 40 per cent of last year's revenues of FFr 126m (£11.9m).

The Chamber of Commerce, which runs the port, has adopted a three-point strategy to cope with this eventuality by expanding other aspects of the port's activities.

First, the chamber is seeking to maximise the tourist potential of the port by establishing the *Centre National de la Mer*, a FFr 141m (£13.4m) museum of the sea, aquarium and maritime technology research centre.

Second, efforts are being made to expand the activities of the existing non-ferry port operations, including France's biggest fishing fleet, and bulk cargoes such as minerals, cement and metals.

And third, the chamber is trying to attract new business by developing an intermodal freight-handling facility known as the *Garromanche (Gare Route Rail de la Manche)*, which will eventually have the capacity to handle up to 400,000 tonnes of cargo per year.

In the worst case the port could lose all its tourist traffic, which provided 40 per cent of last year's revenues

This development has been partly prompted by moves towards the completion of the European Community's single internal market, due to take effect in 1992. As an interim sweetener, users will be able to take advantage of Boulogne's free port status to avoid duties on both imports and exports for up to five years.

The Garromanche, which was largely financed by French and European Community taxpayers, is on a 30-acre greenfield site about two kilometres from the ferry terminal. It is being promoted by Syndival, a company formed by the Chamber of Commerce and the nine administrative boroughs of Boulogne.

The Garromanche operates as a cooperative, in which companies signing a building lease become associate members of the *Association Syndivale*, which gives access to all jointly-owned equipment, together with a vote in policymaking.

The £7m first phase includes office space, covered platforms for road/rail transhipment, computerised stock control, container handling and stacking facilities, a weighbridge and customs facilities.

There is also a reception centre for drivers, together with a cafeteria and service station. Later, a £1m direct road link to the ferry terminal will be added.

After nine months, half the 30 building plots have been let, together with 14 of the 17 available offices, and more than 26,000 tons of cargo have been handled.

The Chamber of Commerce is promoting the Garromanche principally as a stock holding point for exports from the Continental European Community to the UK.

Goods from other European countries can be delivered by road or rail, held free of duty, reloaded on demand, and then transported by lorry to Dover or Folkestone - avoiding the need for warehousing in the more expensive South East of England.

A number of companies are already operating in this way, including Franco-Anglaise de Manutention, which distributes Indesit white goods delivered by rail from Italy, and Translittoral, a major road haulier which stockpiles Continental wines.

Normally, there are 60 hovercraft and ferry services per day between Boulogne and the UK. This means that orders from the UK can usually be despatched overnight, though services have been affected by the dispute between the UK seamen's union and the British ferry operators.

Mr Gerard Valeri, general secretary of Syndival, says this means users of the Garromanche will have a stockholding and distribution facility which will be unique on the Channel coast.

Mr Valeri concedes that the advantages of the free port will disappear when the single market becomes a reality. By that time, however, he hopes the Garromanche will have established itself as a permanent distribution centre for South East England.

K.B.

Search for savings

Continued from page 1

extra-territorial frameworks for regulating shipping in the last four years. And there is a further prospect that the General Agreement on Tariffs and Trade will be extended to cover services during the forthcoming Uruguay Round.

There is already concern that there could be a clash between the maritime regulations of the US and the EC, possibly over the so-called Eurocorde rate-fixing agreement on the North Atlantic, which is legal under the 1984 US Shipping Act but may be banned under the EC's Common Shipping Policy.

Mr Hans Jakob Kruse, chairman of the Council of European and Japanese National Shipowners' Associations, said after recent talks in Washington that the US and EC were more united than divided on shipping matters, but the fear of a damaging clash remains.

FT LAW REPORTS

Double payment risk outweighs foreign coercion

DST v SHELL INTERNATIONAL PETROLEUM CO LTD

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): June 23 1988

A GARNISHEE order will not be made directing a person who owes money to a judgment debtor to discharge his debt by paying it to the judgment creditor if there is a real risk that he may have to pay twice, though the risk derives from a foreign court's exercise of an exorbitant jurisdiction, invalid by English and generally-accepted International Law principles. And a Mareva injunction freezing the proposed garnishees's UK assets pending finalisation of the garnishee proceedings will not, on their failure, be kept open to enable a judgment creditor to persue other methods of execution if, in the circumstances, the natural method was by garnishee proceedings.

The House of Lords so held (Lord Templeman dissenting on the garnishee point) when allowing conjoined appeals by Shell International Petroleum Co Ltd from two Court of Appeal judgments *(1987) 1 FTLR 17* and *(1988)1 FTLR 67*. The first appeal was from a Mareva injunction obtained by Deutsche Schachtbau-und Tiefbohrgesellschaft mbH "DST" freezing UK trade debts owed by Shell to R'As al Khaimah National Oil Co "Rakoil". The second was from a garnishee order absolute directing Shell to pay those debts to DST towards satisfaction of a judgment debt owed by Rakoil to DST.

LORD TEMPLEMAN said that on May 23 1973 the state of R'As al-Kaimah granted an oil exploration concession in its territorial waters. Under the agreement the state, through Rakoil, was liable to contribute to the cost of drilling. On September 1 1976 the concession holders, a consortium of companies including DST, agreed to drill further wells and the state, through Rakoil, became liable to pay a proportion of the costs.

In 1978 the state stopped all contribntion. Both agreements provided for International Chamber of Commerce arbitration in Switzerland. DST, on behalf of the consortium, claimed against Rakoil and the state. They challenged the jurisdiction of the arbitration tribunal. Under ICC rules the tribunal had jurisdiction. It awarded DST $4.6m against the state and Rakoil.

DST was givan laave in England to enforce the award against Rakoil in the same manner as a judgment (see Arbitration Act 1950, section 26 , and 1975 Act, section 3). Accordingly, DST must be treated as a judgment creditor against Rakoil,

In the meantime the state and Rakoil had begun proceedings against DST in the state's Civil Court. On December 3 1979 the Civil Court gava judgment against DST and ordered it to pay the state and Rakoil $1.4m.

DST did not submit to the jurisdiction of the civil court. A judgment given by an overseas court was not recognised in England if the proceedings were brought contrary to an agreement to arbitrate (see Civil Jurisdiction and Judgments Act, section 32(1). The order of the Civil Court was of no effect in the UK.

DST sought to enforce the judgment debt owed to it by Rakoil. On July 2 1986 Mr Justice Bingham made an order restraining Rakoil from removing out of the jurisdiction debts owed to Rakoil, in particular debts owed by Shell.

The order was intended to prevent Shell from paying Rakoil on oil supply invoices, pending proceedings by DST for a garnishee order directing Shell to discharge its trade debts to Rakoil by paying DST.

On March 30 1987 the state began proceedings in the Civil Court against Shell, claiming $4.8m. Shell did not submit to the jurisdiction of the court.

On April 14 1987 the state advised Shell that the government would not deal with it commarcially until it honoured its "obligation". And on August 12 1987 the Civil Court arrested the New London, owned by a Panamanian corporation bnt chartered to Shell, and announced she would be detained until Shell paid the state $8m. The charter had expired but the New London remained under arrest.

On July 7 1987 Mr Justice Hobhouse made a garnishee order absolnte, directing Shell to discharge its debt to Rakoil by paying DST in part satisfaction of the jndgment dabt due from Rakoil to DST. Shell's appeal against the garnishee order was dismissed.

Shell now appealed. It argued that a garnishee order should not be made if the conjoint effect of the Civil Court and the English court,was that it might have to pay twice over.

It was clear that Rakoil was the servant of the state, and that tha Civil Court had shown no signs of independence from the state. The English court was entitled and bound to ignore the claims to jurisdiction put forward by the Civil Court. Coercion threatened by the state against Shell was matched by the coercion of the Civil Court in seizing New London.

In the light of those facts, the Civil Court was not able or willing to assert its integrity or independence, and its orders should be ignored.

Disagreeing with Lord Goff , his Lordship said that the existence of a real risk of Shell paying twice was not the only or *superior criterion; to accept such* a criterion would be to accept coercion by a foreign state and a foreign court.

The jurisdiction claimed by the Civil Court was exorbitant three times. First, in the order against DST usurping the arbitrator's jurisdiction; second, in the order against Shell in favour of the state which was not a party to the Shell contract, and in usurpation of jurisdiction; and third, in the order detaining New London, which was grossly exorbitant.

There was a real risk that Shell might be held liable to pay the debt a second time, pursuant to the order of the Civil Court. But the House should not be influenced by the state's threats or by the coercive detention of New london. The appeal should be dismissed.

LORD OLIVER agreeing with Lord Goff that both appeals should be allowed, said the possibility had to be faced that the English court was confronted with illegitimate executive action under the cloak of legitimate legal process.

The critical consideration was that there was a serious risk that the legal process, whether legitimate or not, would be recognised and given effect in Gulf states where Shell carried on its business, and that its property would be subjected to process of execution there.

If that occurred DST would have satisfied its judgment at the expense of Shell, an innocent third party.

Even accepting that the jurisdiction of the Civil Court was three times exorbitant, disapprobation of the exercise of such jurisdiction should not weigh more heavily than the real and substantial risk to the garnishee.

LORD GOFF said that, as a general rule, commercial pressure could not of itself be enough to render it inequitable to make a garnishee order absolute. The relevant risk to be evaluated was the risk of execution on Shell's assets pursuant to the Civil Court judgment.

The mere fact that the exercise of jurisdiction by the foreign court was exorbitant or even very exorbitant, would not *of itself* affect the exercise of the English court's discretion to make a garnishee order absolute.

If the garnishee showed he was in fact exposed to a real risk of being required by a foreign court to pay the debt a second time, it did not matter that the foreign court did not have, by English law or by generally accepted rules of international law, jurisdiction to make such an order.

That was because the crucial feature was the reality of the risk.

The question was whether Shell had established that there was a real risk. The arrest of New London provided some evidence of the state's determination to enforce the judgment. There must be a risk that the practical difficulty of identifying Shell cargoes available for execution in other Gulf states would be overcome. The evidence on Gulf law was sufficient to establish that the state would succeed in enforcing the judgment in another Gulf state.

Shell had discharged the burden on it to establish the existence of such a risk.Its appeal against the garnishee order absolute should be allowed.

The next question was whether the injunction ordered by Mr Justice Bingham must also be discharged.

DST submitted that the injunction should be allowed to stand to maintain the status quo, pending the invocation by DST of other powers of enforcement of Shell's indebtedness - e.g. by fresh garnishee proceedings against Shell in respect of any indebtedness to the state; appointment of a receiver of Shell's indebtedness; or a winding-up order against Rakoil.

The natural mode of execution in the present case was by way of garnishee proceedings, and that was not available because it would be inequitable to make an garnishee order absolute. It would not be right to maintain the injunction to enable DST to pursue some other method of execution.

The injunction should be discharged.

Lord Keith and Lord Brandon agreed with Lord Oliver and Lord Goff. Both appeals were allowed. The garnishee order absolute and the injunction were discharged.

For Shell: David Johnson QC, Mark Havelock-Allan and EJ Broadbent (Middleton Potts & Co)

For DST: Anthony Grabiner QC and Steven Gee (Herbert Smith & Co)

Rachel Davies
Barrister

How a drop of water gets the oil moving

Clive Cookson examines an Anglo-Venezuelan venture which will help exploit untapped energy reserves

MORE THAN half the world's oil reservea consist of heavy oils and bitumens – black tar-like materials which are usually too thick and sticky to transport, process or use economically. But new technology recently developed by British Petroleum (BP) and Petroleos de Venezuela (PDVSA) will make it easier to exploit these huge energy reserves.

BP and PDVSA have discovered how to mix heavy oil with water, to produce a liquid emulsion which not only flows easily down a pipeline but also burns very well in boilers and heaters.

Next month, emulsified heavy oil from Venezuela will be used to generate electricity for the first time in the UK, in a series of tests at Ince B power station in Cheshire. Next year PDVSA plans to launch the emulsion, which it calls Orimulsion, on the world market, as a fuel for power stations.

Scientists from the two companies discovered the emulsification process in 1983, as part of a collaborativa research programme at the BP Research Centre in Sunbury, near London. The programme was aimed at finding new ways of handling and processing heavy oil. Venezuela has the world's largest deposits of heavy oil, with Canada in second place. Therefore, exploitation of these reserves has the potential to transform the Venezuelan economy.

Each company has taken a different approach to applying the technology. PDVSA regards the emulsion primarily as an end-product – a fuel that will enable it to sell production from Venezuela's Orinoco heavy oil belt.

BP's immediate interest is to use the emulsion, which it calls Transoil, to transport heavy oil from its fields in remote parts of Canada to refineries, where it is broken down into lighter oil fractions and bitumen (mainly for making roads). BP also sees immense long-term potential for the emulsion as a fuel and is carrying out its own combustion trials in Canada.

Transoil or Orimulsion is made by a patented two-stage mixing process. Both stages use a high speed industrial mixer, not unlike an enormous kitchen blender. Until now the emulsion has bean produced after the heavy oil has been brought to the surface (by steam in Canada and under its own pressure in Venezuela). But next year BP plans to try making Transoil inside an oil well.

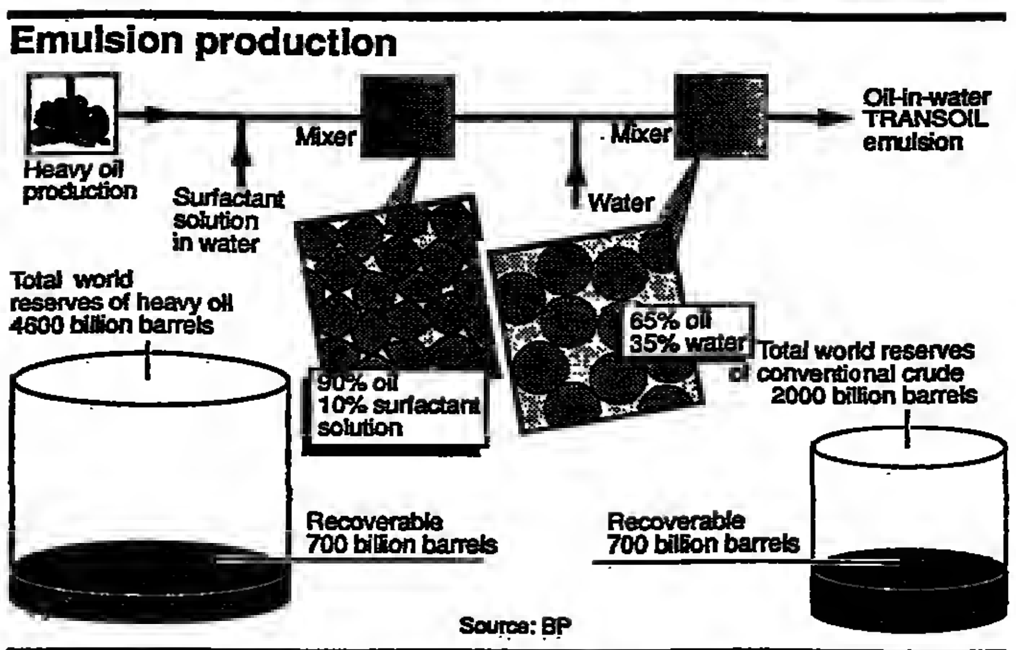
In the first stage, heavy oil is mixed with a solution of surfactant in water. The surfactant is a commercially available chemical (nonyl phenyl ethoxylate) which rednces the surface tension between the oil and water and assists the formation of polyhedral shaped oil droplets separated by thin films of water. At this stage the mixture consists of 90 per cent oil and 10 per cent water.

In the second stage, more water is beaten in, so that the emulsion ends np with 65 per cent oil and 35 per cent water. The oil droplets are now tiny spheres, each about 10 microns (one hundredth of a millimetre) in diameter. They are evenly distributed through the water.

The small size of the droplets means thet the oil-in-water emulsion is stable and the two components do not separate out (unlike, say, an oil and vinegar salad dressing). In field tests over the last year at BP Canada's Wolf Lake heavy oil field in Alberta, 10,000 barrels of Transoil emulsion were stored in tanks for three months and transported through a 27 kilometres pipeline without undergoing any change. At the refinery the water was removed by heating the emulsion, leaving the heavy oil to be processed in the usual way.

At present Alberta's highly viscous heavy oil is transported by thinning it with "natural gas condensate", a light oil similar to petrol, which occurs nearby. But after the early 1990s there will not he enough condensate to move the growing volumes of heavy oil expected to be produced from Alberta's oil sands – which is why the Alberta Energy Company is working with BP Canada to evaluate Transoil technology in the field.

The combustion trials carried out on a small scale hy BP and more extensively by PDVSA have already provided independent proof thet the emulsion burns well in existing oil-fired boilers. The two large UK boiler-makers, NEI International Comhnstion and FKI Babcock, are more than satisfied with the results of their tests of Orimulsion.



"Our test was very successful," says Peter Beal, business development manager of NEI International Combustion. "We were able to handle and fire the material and it gave high efficiency combustion."

PDVSA is sponsoring trials of Orimulsion at seven power stations in Europe, Japan and North America this year. The UK Central Electricity Generating Board plans to hurn 200 tonnes at Ince B over a ten day period this summer. "We have only had to make very minor modifications to the burners to test the fuel," says the CEGB.

People who think of water as a means of putting out fires may be surprised that an emulsion containing 35 per cent of water is such a good fuel. The reason is that the 10 micron oil droplets are an ideal size for combustion. They hurn much more efficiently than the larger droplets (up to 200 microns in diameter) produced when pure oil is forced through the nozzle of a hurner.

This increased efficiency compensates for the fact that some of the combustion heat is used up evaporating the water in the emulsion.

Alan Stockwell, Transoil project leader at the BP Research Centre, says that, when his emulsion burns, the flame temperature is only 20 to 30 degrees Centigrade less than a pure oil flame. "There is only a three per cent reduction in heat ontpnt," he says. "That is insignificant in my view when you look at the environmental benefits."

Emulsion produces less pollution than conventional oil when it burns, because the flames consume the smaller droplets more quickly and more completely. Emissions of nitrogen oxides – an important canse of acid rain – are reduced by half, Stockwell says, and soot particles hy as mnch as 75 per cent.

However, emulsificatioo can do nothing to reduce emissions of sulphur dioxide, the other major contributor to acid rain. Power stations hurning Orimulsion may have to be fitted with fine gas desulpburisatioo equipment if they are to comply with environmental requirements in many parts of the world.

According to PDVSA, the current Orimulsion production capacity in Venezuela is about 20,000 barrels per day. This could be increased to 50,000 h/d when commercial deliveries start next year.

The state-owned company sees potential sales rising to 600,000 b/d in the mid-1990s and 1m h/d by the year 2000. Although this is only two per cent of the world's current oil production, it would be enongh to turn round the struggling economy of Venezuela and make a significant impact on the market for coal for power stations.

Swiss begin tests of AIDS vaccine

BY JOHN WICKS IN ZURICH

A PROSPECTIVE vaccine against the human immuno-deficiency virus (HIV), the cause of AIDS and AIDS-related complex, has begun the first stage of human clinical testing in Geneva.

The vaccine has been developed by Biocine, a joint-venture of the Swiss chemical concern Ciba-Geigy and the American bio-technology company Chiron Corporation. It is one of a small number of candidate AIDS vaccines beginning clinical trials in different parts of the world.

The vaccine has been tested in animals and the "phase one" human studies, led by the head of immunology and allergies at Geneva's University Hospital, are intended to show that it can be given safely to people and to gain insight into how it affects human cells. Further studies are expected to begin in the US later this year.

Some 25 volunteers will be involved in the initial Geneva tests. These are being selected from healthy men aged between 20 and 60. They will be at oo risk of contracting AIDS from the vaccine, since they will oot he exposed to the virus causing the disease. It is likely to be three or four years before the vaccine comes to market, even if the trials go well.

To prevent infection by HIV, the vaccine will need to stimulate the body's own defences both within bodily fluids and at the cell level. It is intended to produce immune responses in the form of antibodies to neutralise HIV and the activated white blood cells known as T-cells.

Biocine, which is based in Emeryville, California, employs both a genetically-engineered antigen developed by Chiron and an adjuvant for the enhancement of immune responsiveness, from Ciba-Geigy. It is believed that the antigen contains more than one of the proteins present in HIV.

Extensive animal tests suggest that the stimulation of both anti-HIV antibodies and cell-mediated immunity is effective in eliciting a strong immune response in several animal species.

Mergers will curtail growth in US research

BY PETER MARSH

THE GROWTH in mergers and other forms of restructuring in US industry are likely to be behind a slow-down in the expansion in companies' research and development hudgets, according to a survey by the US National Science Foundation.

The foundation says that total company-funded R&D spending in 1988 is likely to be $62bn, a seven per cent increase in current dollars on the 1987 figure. In terms of constant (inflation adjusted) dollars the increase is only 3 per cent.

The 1985-88 average annnal rate of increase is expected to be 2.6 per cent in constant dollars, significantly lower than the average annual 5.5 per cent increase recorded between 1980 and 1985.

One reason for the slow-down may be the increase in acquisitions, divestitures and other types of restructuring in US industry since 1984.

The foundation bases this judgment on an analysis of the R&D spending of 18 companies involved in such activities over this period. Of these companies, three reported decreased R&D outlays in 1985, and six expected that spending during 1987 would fall below 1986 levels.

The average annual increase in research spending among the 18 companies from 1984 to 1988 was three per cent, roughly half that of all respondents to the foundation's survey.

"The experience of the respondents indicate that R&D levels are maintained immediately after mergers, but there then follows consolidation, cost cutting and elimination of duplication (in research spending)," the foundation says.

Among specific US industries, machinery (which includes computers) is expected to have the largest growth in research spending in 1988, with a 14 per cent increase during this year to follow a 17 per cent expansion in 1987.

Certifying to the quality of Britain's information skills

BY DAVID THOMAS, EDUCATION CORRESPONDENT

OFFICE WORKERS of the future are just as likely to be asked to interrogate a database as to type a letter, so why not give them qualifications to match?

The Royal Society of Arts, well-known for furnishing generations of secretaries with certificates testifying to their skills, is trying to cut a swathe through Britain's information technology (IT) jungle with a new set of qualifications launched last week.

The complaint that Britain's economy is threatened by a lack of people with the right information technology skills has become one of the cliches of industrial life. Till now, however, little attention has heen paid to an ohvious solution: devising IT qnalifications designed both to raise skill levels and to give a marketable piece of paper to employees who have worked hard for those skills.

"One of the problems we had was that there was no certificate which anyone could sit and which recognised their skills in information technology," explains Doris Chapman, who was a personnel manager at Rank Xerox when the photocopying and IT company approached the RSA with tha suggestion for a new certificate.

With abont £8,000 of equipment sitting on its workers' desks, Rank Xerox wanted to make sure the machines were being used to their maximum potential, Chapman says.

The RSA agreed to plug the qualification gap hy launching a new IT certificate, building on a simpler RSA qualification in computer literacy and IT which has been attracting 60,000 students a year.

A worker or an employer has to complete about a dozen clearly identified tasks for each of the three levels of the new qualification. In the case of the vocational certificate, these include using a word processor and a facsimile machine, interrogating an existing database and archiving or deleting files.

The diploma involves creating and using spreadsheets, interrogating commercial external databases and producing letters by merging text and mailing lists. The advanced diploma encompasses setting up a system for the storage, retrieval and abolition of company documents, appraising hardware and software for use with an existing system and establishing a database.

A worker or student can prepare for the qualification either on-the-job or at a college. At work, progress would typically be assessed by an in-house supervisor, although external RSA assessors would check standards.

IBM and the Bank of England joined Rank Xerox in helping the RSA to develop the qualification, thereby ensuring thst no hias developed towards IT systems from a single manufacturer.

Doris Chapman, who has now left full-time work with Rank Xerox to become one of its semi-independent networkers, says the qualification is aimed at office workers up to middle manager.

Asked whether it would suit a managing director, she replies that bosses might go through the mill io show willing

Aida/Earls Court Arena

Richard Fairman

Tony Andrews

Masks and pyramids at the Verdian extravaganza

A capacity audience of 14,500 and it would be worth a bet that there was only one topic of interval talk on every pair of lips. You give them an epic visual panorama, hundreds of priests wearing silly hats, armies of warriors in black visors and a horde of children dancing about as Ethiopians in fuzzy wigs and black knickers – and still all they talk about is the foibles of the prima donna.

That is one of the eternal fascinations of opera. The music-loving public in London has not been exposed to opera as a sport; but the arrival of Vittorio Rossi's gargantuan production of *Aida* from Verona and Paris, with its touts and reported scuffles between officials and disgruntled patrons, was belated proof that anything football or tennis can do, opera can always try to equal.

This was a star fixture and its Maradona had limped off sick. It had already been widely reported that Grace Bumbry was suffering from tonsilitis and a severe attack of hay fever, and her singing during the opening scene, in which she found the top notes slipping from her grasp, showed all too clearly that her vocal recovery was far from complete. The decision to quit at the end of the first act was a sensible one in the circumstances.

When the announcement came, the audience seemed to be taken by surprise, even though a reserve soprano could be heard warming up during the preceding Temple scene. This was Ghena Dimitrova, (scheduled to sing on Monday) who arrived after a 15 minute wait, her face black but everything from the chin down left white in her haste, a sort of two-tone Aida who called for an even greater suspension of disbelief than usual.

Nevertheless, with her appearance it started to become possible to take the performance more seriously. The problem about opera on this scale is that the usual difficulties of getting the thing together are magnified out of all proportion: the singers are unable to hear the orchestra and stand around with their eyes fixed on the conductor, so that the drama is reduced to watching cohorts of extras marching up and down.

My only previous experience of indoor opera of this kind was a performance in Moscow's vast Palace of Congresses, where Soviet leaders orate at party conferences. Earls Court may have a less prestigious appeal, but in general I would count this *Aida* a happier experience. The amplification was of a high order, creating a practical working balance between soloists and orchestra, at least to those of us in the prime position of the press seats; and the spatial effects had been cleverly devised.

Rossi's vast Egyptian temple of a set stretches right up to the ceiling. It is the kind of production that demands not so much a director as an army general, ready to command his troops, like the Duke of York's men, to march all the way up to the top and all the way down again. Still, he keeps to Verdi's instructions whenever he can (the Judgement Scene is respectfully placed offstage) and there are certainly plenty of other productions that have done the opera more violence than this.

Once she was underway, Dimitrova proved to be a sturdy Aida, ready to belt all except the quietest passages; but the notorious climax of "O patria mia" defeated even this healthy pair of lungs and strong technique, and one shudders to think what Bumbry might have done with it, had she progressed that far. Nicola Martinocci, a veteran of the Verona Aidas, knows all about hanging on to the top notes in a show like this and was generally a cleanly-sung Radames in a similar mould.

The Amneris was the young Bulgarian Adriana Porta, who progressed from some rather unappealing, vibrato-laden singing in the opening acts to a dramatic account of the great final solo scene. Her exit, chasing up the vast flight of steps with her arms flailing about her, was the most wonderfully melodramatic moment of the whole evening. But ultimately it was left to Piero Cappuccilli's Amonasro, as intense a communicator as ever, to remind us what singing Verdi is all about.

In the opening bars of the Prelude it looked (and sounded) as though Nello Santi was still teaching the score to the London Symphony Orchestra as they went along. As the performance progressed, though, the ensemble became increasingly cohesive: the calm presence of Santi must act as balm on such a first night. By the time you reach the vast, candle-lit finale, the whole event has almost won you over. At the very least, there has never been anything else quite like it.

Bastet/Birmingham Hippodrome

Clement Crisp

To find oneself at a matinée in Birmingham watching a prolonged if simulated act of copulation is not my idea of theatrical fun on a Saturday afternoon. Nor would I think it ideally suitable for the surrounding tots – though, to judge from the faint moans coming from the back of the stalls, one or two members of the audience were singing along with the characters in Lynn Seymour's new *Bastet*.

This bizarre event is owed to Sadler's Wells Royal Ballet, presenting the piece for the first time as part of a triple bill. I wish I could report that anything about this tasteless thirty minutes in the Valley of the Kings was worthwhile. Alas, it seemed to me to be both gratuitously and dubiously erotic, and deplorably designed.

Miss Seymour's theme concerns an Ancient Egyptian youth unable to consummate his passion for his beloved. So Bastet, the Cat Goddess, obligingly deflowers him, and then hands back the transformed youth to his girl friend. As an example of Theban sex therapy it is of minimal interest. As excuse for dancing it has dramatic merits, but these are sabotaged by the choreographer's need to show us that copulation is really another branch of Olympic gymnastics, and giving us an extended example of the best ways to win at least a bronze medal for one's temple.

Nor is there any help to the action from the meretricious design by Andrew Logan, who provides a good many honey-coloured ramps and golden outfits as an example of what shop-windows may have looked like in Pharaonic Egypt. There is a commissioned score from Michael Berkeley which offers rather short-breathed dramatic support, and a general feeling about the piece that the attendants upon the Goddess might well break into a quick chorus of "My Mummy done Ptolemy."

Involved are Petter Jacobsson, suitably angst-ridden as the young man; Susan Lucas, looking too beautiful for any right-minded chap to have known the problems we are being presented with; and June Highwood, behaving like Loie Fuller on the gold standard as Bastet. The corps de ballet strike hieroglyphic attitudes, and appear to be making up their dances as they go along. Disciplined movement seems not to be part of the training for temple servants, though indecent molestation apparently is.

Miss Seymour has such a sense of theatre that it is sad to have to report without pleasure upon this newest work. As an interpreter she has ever been incapable of the least vulgarity, and her dance genius resides in showing us the deepest truths of the characters she portrays: she can surely also do this in future choreography.

Bunter!/Northcott, Exeter

B.A. Young

Bunter! is not like other musicals. It disdains the romantic plot and imitation pop songs that fill the thinner musicals of today. The only romantic number ("For all the wrong reasons," pleasantly sung by Patsy Rowlands) is assigned to the mature matron at Greyfriars, hopelessly in love with Mr Quelch. As for the boys who fulfil the chorus function with juvenile charm, when they are not crying "Up, school!" they are probably yelling "Girls! Ugh!"

Nor does *Bunter!* use the sub-Puccini style of the modern successful musical. If it recalls anyone, it is Gilbert and Sullivan, for John Judd, who is responsible for book, lyrics and direction, has spent three or four years in his own G and S fantasy, *Here's a How Dee Doo!*, and he likes to fill his stage with character-roles given to stagey gestures and liable at a moment's notice to sing, dance or join in a chorus.

Older readers may recognise the characters as the denizens of Greyfriars, the public school whose boys were paraded weekly in the Magnet by Frank Richards for the delectation of council-school readers, and have become as unforgettable, and as often revived, as Bertie Wooster. They depended mostly on familiar formulas and catch-phrases, and these are what John Judd has seized for his play.

He hasn't bothered us with much of a plot. There is one – a crook comes to the master, Mr Smedley (Martin Wimbush) to discredit one of the boys, Vernon-Smith (Bruce Morrison), so that he, Smedley, may inherit a fortune which the boy looks like getting. (All he inherits is a comic song, "Nasty habits.") But we are more concerned with personalities.

Chiefly, we are concerned with Billy Bunter, notorious for his bulk, his greed and his dishonesty, though here his faults have magnified him into a kind of hero. He is even selected to play cricket against St Jim's, but in the event he doesn't – Vernon-Smith (once "the Bounder," now evidently reformed) plays with a pillow stuffed under his belt, and when that won't do, Bessy Bunter from Cliff House plays. David Timson, quite a slim actor with his costume off, plays the Fat Owl as we all envisage him.

The rest of the Famous Five work as a team rather than as individuals, though I have to say that Johnny Bull (Michael Winsor) looks a year or so younger than his contemporaries, and Hurree Jamset Ram Singh could be a shade darker without the racism becoming terrific. John Griffiths is a Quelch straight from the Magnet, Crispin Harris as Gosling the porter spends much time chasing Bunter around the grounds, and there is an enchanting boy treble, Dominic Wood, as a new boy with another of Paul Knight's good songs. The admirable Victorian Gothic sets and, I suppose, the buns are by Kit Surrey.

A reconnoitre round the 1988 Venice Biennale

Every second summer the art world comes together in Venice to see how the world, or art, has moved on, or not as the case may be. Thus it was that your critic queued at Heathrow last Tuesday, in company with colleagues, for the morning flight.

WEDNESDAY: the first of three full days of the general vernissage in the Giardini Pubblico beyond the Arsenale, where all the national pavilions are set out among the trees. Off on the vaporetto down the long Palladian sweep of the Giudecca Canal, to be first through the gates when they open at 10 o'clock – well, almost first. It has long been a point of honour with the British Council, which administers the British Pavilion, to be up and open at this first moment of the Biennale, so one's first patriotic duty is to turn sharp right up the hill to check in. There at the top the pavilion sits, primus inter pares so we would like to think, France to the right, Germany to the left and America out of sight, looking down on the rest of the world from the cool terrace that is quite literally the highest point of Venice and its Biennale.

There is to be a reception for the British representative, the sculptor Tony Cragg, at midday, rather than the informal, continuous hospitality of previous years. For the moment, therefore, the pavilion is quieter than usual, and perfect for a first look at the work.

Though there may well be other fringe and satellite events and exhibitions, the Biennale, like Gaul, falls always into three principal parts – the autonomous exhibitions in the pavilions of the participating nations, or wherever else they can be squeezed in, 35 this year, including the Nordic nations and a group of South Americans; the huge, many-galleried Italian Pavilion at the heart of the Biennale, with its two selected and complementary shows, the one of Italian, the other of international art; and the Aperto 88, which is an international committee's choice of artists under 40 from around the world.

The overall organisation was taken in hand by Giovanni Carandente only four months ago, yet this Biennale is far more ahead and generally efficient than any I can remember. Even the catalogue, issued this time complete with a handsome satchel, is to be found without engaging in hand to hand combat.

Now to the United States for a first look at the Jasper Johns show, by which the Americans clearly hope to carry off the Golden Lion. The general mutter is that to put in such a heavyweight, complete with a museum show, is hardly playing the game. Of the pavilions seen so far, the Japanese, Hungarian and Israeli are the most impressive. Today I see all but one of the national exhibitions in the main part of the gardens and make an initial cast through the central Italian pavilion.

THURSDAY: back to the Giardini soon after 10 to finish with the handful of national pavilions on the far bank of the canal. The Yugoslavian expressionist, Janez Bernik, turns out to be the most interesting of the painters seen so far. The Australian pavilion is still being built, due to open tomorrow with the paintings of Arthur Boyd and the roof not yet on. But from now on the Australians will at least have a pavilion of their own. A Biennale or two ago, the organisation was so behind with the promised temporary pavilion that the Australian commissioner hung her artists' paintings from the trees outside.

FRIDAY: first duty is to see the Aperto 88, which has lately found a regular home in the Corderia, the old rope-making workshops of the Arsenale nearby. Even there the installation is well ahead, though the work of one young West German artist has gone missing. It is a most extraordinary building, of conventional width with a high old timber roof but stretching away for what seems to be almost a quarter of a mile. Walk briskly to the far end and come back slowly through nearly 100 temporary bays housing each artist. Some merely show current work: others have worked to the event, but there is no critical thread to draw it all together. What we do get is a strong sense of the vitality and the astonishing creative plurality that are so characteristic of the younger avant-garde in the late 20th century.

Back to the Giardini again mid-morning to see the Australians with their roof on, topped out with Bellinis from Harry's Bar and the pictures on the wall. In fact the bun-fight is such that postponement seems again the wiser course.

The afternoon must be given to a closer consideration of the Italian Pavilion – Paladino, Cucchi, Chia, Clemente and the mob: then back home on the boat to put on a clean shirt for the party being given by the Americans in the garden of the Guggenheim, on the Dorsoduro, with all the world and his wife there.

Saturday: the Biennale is closed for a final wash-and-brush-up before the official inauguration tomorrow, after which it remains open to the public until September 25. But who has won the Golden Lion? The jury sits and we must wait – watch this space on Thursday.

William Packer

Alicia de Larrocha/Barbican Hall

David Murray

Even by Miss de Larrocha's standards, her recital on Sunday was a singular pleasure. Beneath the impeccable finish of her piano-playing there is always a spirited imagination working away; sometimes – in certain Classical pieces, for example – she can seem to be too careful about keeping it on a correct leash. With a particularly sympathetic programme this time, it surfaced everywhere, with the warmest and happiest results.

After Andrei Gavrilov's sour and eccentrically choppy *Carnaval* just weeks ago, Larrocha's demonstration that faithfulness to the notes and to Schumann's tempi can reveal far richer expressive variety in the cycle was timely. Delivered in big, expansive tone, every piece was acutely characterised, none forced, and the whole chain had a cumulative sense beyond the sum of its links. The Larrocha personality lit it all up without the hint of a trick – nothing but distinct keyboard-colours, firm lyrical shapes and energetic musicianship in the simplest details (she is incapable of letting anything go slack).

Four of Mendelssohn's Songs without Words glowed under similar treatment, fuller-voiced and less period-brittle than usual: the one known here as "The Bees' Wedding," for example, was digitally brilliant as could be, but Larrocha's playful, tender inflections of the tune were the heart of the matter. Such thoughtful graces again suggested depths in "Evocación," the gentle first piece of Albeniz's *Iberia*, beyond the reach of other pianists.

Nothing, however, displays the complete, inimitable Larrocha like the *Goyescas* of Granados, of which she played three. They require not only creative empathy with the melodic idiom – blandly romantic in ordinary hands, full of subtle operatic possibilities for an artist – but technique of a high and quite special order, equal to the clatter and glitter of Granados's showy elaborations but also to holding them tightly within the overarching expressive curve.

In just those respects "Los requiebros" – like "The Maiden and the Nightingale," which she must have performed a thousand times: how *can* she sound so spontaneous still? – was a marvel, with every burst of salon-dazzle serving a musical purpose. Only Falla's *Fantasia bética* seemed a bit too well assimilated: though Larrocha's exposition was excellently clean and vivid, the piece needs its deliberately harsh, macho edge too, and quite naturally she tamed that.

Snapshots of Stefan Wolpe/Almeida Theatre

Paul Driver

The Almeida Festival has been taking a long look at the music of Stefan Wolpe, the Berlin-born (1902), largely American-based composer whose achievement easily stands comparison with that of the most famous composers of the century but whose unlucky fate it has been consistently to miss the spotlight of publicity. In America, thanks to the efforts of a few devotees and ex-pupils, his works are finally being properly published and more often performed. In Europe, he is also catching on: there have been Wolpe festivals in Holland and elsewhere, and one is forthcoming in Cologne.

In this country there has so far been little response to his music. But the Almeida has taken a big step towards changing the state of affairs. During the last two weeks some of his best pieces have been performed, and the Hebrew cantata *Yigdal* (1945) and Three Pieces for Mixed Chorus (1954) have received their British premières.

On Friday night at the Almeida Theatre, after a discussion led by critic Bayan Northcott, the Matrix Ensemble, directed by Robert Ziegler, played a continuous sequence of Wolpe items offering themselves as "snapshots from a life," and indeed valuably reflecting the disparate styles, places and occasions of his creative career.

First came the superb (though incomplete) *Duo for Two Violins*, Wolpe's Opus 2 of 1924 and a product of his years in Weimar. It was performed with bright intensity by David Angel and Marshall Marcus, who must have relished the opportunities afforded them by the richness and precise intricacy of its part-writing. It is music, like a good deal of Wolpe's, which moves effortlessly between diatonicism and atonality, tradition and the New; and above all, it is music for the ear.

Even the experimental piano piece, *Stehende Musik* (1925), which with its black, brutal clusters of notes on the lower keyboard and its irrational rhythms seemed ready to transform into one of Stockhausen's later *Klavierstücke*, never lost sight of aural intelligibility and perceptible purpose. Yvar Mikhashoff gave the work the healthy pummelling it demands and still managed to leave the Steinway piano in a fit state to sustain his rendering of a couple of Wolpe miniatures: the hard-boiled *Tango* of 1927 and an exceedingly diminutive *Rag-Caprice*. Later, he gave an interesting account of *Form* for piano – an elliptical piece from 1959 when Wolpe was much concerned with musical abstractionism.

Wolpe was incapable of writing anything which, however abstract in principle, was dull, dry or of merely formal interest. The Quartet for Trumpet, Tenor Saxophone, Percussion and Piano of 1950 is technically austere but, for the listener, as appealing with its bold transmutations of the forms and figures of bebop jazz as it well-nigh could be.

Tenor Paul Harrhy and baritone Omar Ebrahim contributed unusual items. The former, in Pierrot costume, sang and declaimed the Kurt Schwitters setting, *An Anna Blume*, of 1929: a Dadaist rampage, with wildly expressionistic piano part, well taken by Clive Williamson. Omar Ebrahim (with Robert Ziegler at the piano) gave an appealing performance of two beautiful Hebrew songs composed in 1938 at the end of Wolpe's formative period in Palestine, and was soloist (abetted by Harrhy's speaking Commentator) in a crazy but compelling piece of personal Dada, *Street Music*, devised as a "counter offering" to tributes to Wolpe from other composers played at a concert on his 60th birthday. The text is a compilation of favourite lines by Joyce, LeRoy-Jones, Wolpe's third wife Hilda Morley, or even himself. The instrumental accompaniment is lively, and the sum effect endearing.

The sum consequence of the concert was to remind us, or even show us for the first time, how technically resourceful (Paul Klee-like) and electrically alive a composer Wolpe always is, even in his smallest things.

Cuenod/Wigmore Hall

Richard Fairman

There seems little doubt that this recital must have set a record, at least locally. The Swiss tenor Hugues Cuenod has appeared at the Wigmore Hall before, notably in last year's Christmas concert, but at the age of 86 this appearance on Friday night marked his debut there in a solo recital.

Nature continues to be quite remarkably beneficent to the ageless M. Cuenod. Looking several decades younger than his true age, still elegantly tall and upstanding, he cuts a distinguished figure on the recital platform; and if it is too much to expect that the voice should have retained an equally youthful sheen, there is at least plenty of voice there and under reasonably good control. The lower notes wobble a bit, but the rest is firm and well projected.

For a short group of *mélodies* by Fauré there was just enough real singing to get by, so long as one was happy for the words to take the strain whenever the vocal line threatened to disintegrate. Satie's *Le mort de Socrate* is a favourite old Cuenod piece, its urbane wisdom distilled with effortless composure; and Poulenc's spoken *L'Histoire de Babar* showed that his eye for all that is witty and camp is as sharp as ever.

The real delight of the evening, though, came from the most unexpected source. Some 50 years ago the American composer Theodore Chanler wrote Eight Epitaphs to poetry by Walter De La Mare expressly for Cuenod, and half a century later neither music nor performance has lost any of its freshness: this is a telling little cycle, which articulates very well some awkwardly wry and disturbing feelings, and Cuenod's beautifully pointed English did it full justice.

The accompanist was Julius Drake, tactful in the Fauré, authoritative and brightly colourful in the Poulenc. A couple of piano duets by the same composers, in which his partner was David Harper, filled out the programme with further lighthearted fare; but then anything more senescent in spirit would have been quite inappropriate for this ever-youthful octogenarian.

Arts Guide

June 24-30

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). The ancient production of Elektra is revived a final time to introduce to London Gwyneth Jones (in the title role), Helga Dernesch, Ruth Falcon, and Willard White. Gerd Albrecht conducts. The revival of the Elijah Moshinsky production of Lohengrin intended for Placido Domingo returns without him. Eberhard Buchner, Cheryl Studer and Gabriele Schnaut take the lead roles and Jeffrey Tate conducts. Moshinsky's stark production of Verdi's Macbeth returns with the original baritone, Renato Bruson, in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor – all in superb form. (240 1066).

English National Opera (Coliseum). Final two performances this season of Janacek's Cunning Little Vixen, with Anne Dawson and Norman Bailey as vixen and forester, and Mark Elder conducting. Also in repertory: Fidelio, with Kathryn Harries, Graeme Matheson-Bruce and Neil Howlett, conducted by Kees Bakels. (836 3161).

PARIS

Cologne Opera (Théâtre des Champs Elysées). La Gazza Ladra conducted by Ivan Fischer. This is a vivacious and colourful production which brings to life Rossini's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opéra and the Théâtre des Champs Elysées (47.20.36.37).

Paris Opera (Palais Garnier). La Celestine. A 15th century Spanish tragi-comedy is the basis of Maurice Ohana's modern opera about a famous procuress. Alternates with Norma conducted by Maximiano Valdes. Pier Luigi's production holds brilliantly the strands of the romantic tragedy. (47.42.57.50).

NEW YORK

Lincoln Center Opera House. Paris Opéra Ballet dancing American premières of works by Robert Wilson, Maguy Martin and William Forsythe. This three-week season features performances of The Nutcracker and Rudolf Nureyev's refashioned Swan Lake. Ends July 9. (362 6000).

WEST GERMANY

Berlin, Deutsche Oper. Carmen returns with Margarita Zimmerman in the title role, Ermanno Mauro and George Fortune. Faust features fine interpretations by Nelly Miricioiu, Kaja Borris and Robert Hale. Götterdämmerung has a strong cast led by Ute Vinzing, Deborah Larson, Spas Wenkoff and Martti Salminen, and is conducted by Heinrich Hollreiser. Götz Friedrich's production of Die Hochzeit des Figaro rounds off the week. (34381).

Hamburg, Staatsoper. Faust stars Alberto Cupido, Ana Pusar, Simon Estes and Gino Quilico. Die Zauberflöte features Helen Donath, Kurt Moll and Fraz Grundheber. Der Fliegende Holländer brings together Hildegard Behrens, Jose van Dam and Peter Meven. Le Nozze di Figaro is a co-production with the Salzburg Mozarteum. (351151).

Cologne, Opera. There is a well produced and performed Ariadne auf Naxos in repertoire, with Nadine Secunde, Daphne Evangelatos and Scott Reeve. Tannhäuser features William Johns in the title role, Wolfgang Brendel as Wolfram and Sharon Sweet as Elisabeth. Ein Sommernachtstraum was well received when it opened with Paul Esswood, Teresa Ringholz and Harald Stamm. Manon Lescaut has a cast led by Barbara Daniels as Manon, Robert Bork as Lescaut and Guiliano Ciannella (Des Grieux). (20761).

Frankfurt, Opera. Der Wildschutz is revived with Josefine Engelskamp, Jerrold van der Schaaf and Elsie Maurer. Tosca is a wonderful Jean-Pierre Ponnelle production. (25621).

ITALY

Milan, Teatro Alla Scala. Rudolf Nureyev's production of Don Chisciotte with Anita Magyari and Gheorghe Iancu, conducted by Michel Sasson. (80.91.26).

Naples, Teatro San Carlo. Kirov Ballet in Swan Lake. (7972412).

Trieste, Operetta Festival Il Pipostrello produced by Vito Molinari and conducted by Rudolf Bibl. (362.654;631.946).

Spoleto, Teatro Nuovo. Jenufa produced by Gunter Kramer and conducted by Spiros Argiriss, with Ortrun Wenkel, William Pell, Katerina Ikonomu (Wed). (40265).

Spoleto, Teatro Romano. A short season by the David Parson Company, a lively and acrobatic US dance group led by an ex-pupil of Paul Taylor. (40265).

NETHERLANDS

Rotterdam, Rotterdamse Schouwburg. The National Ballet with Four Schumann Pieces (Van Manen/Schumann), and the world première of new ballets by Nils Christe and Edouard Lock (Mon, Tue).

Scheveningen, Circus Theatre. The Xian ballet company from China perform The Soul of the Terracotta Army (Mon to Thur). (56.88.00).

Amsterdam, Stadsschouwburg. Lalala Human Steps with New Demons, choreographed by Edouard Lock to music by Olle Romo (Tue to Thur). (24 23 11).

Saleroom/Antony Thorncroft

Swiss geared to Gallé

Habsburg-Feldman, the Swiss based saleroom set up last year with ambitions to rival Sotheby's and Christie's as an auctioneer of the finest works of art, had its most prestigious sale to date yesterday in Geneva: it sold a private collection of glass made by the pre-eminent late 19th century maker, Emile Gallé.

It was the finest group of Gallé glassware to appear on the market since 1914 and produced a good total of SF7.5m (around £3m). Unfortunately the star item, the "Rhubarbe" coupe made in 1903 and probably Gallé's most important creation, was bought in at SF1.1m – which in itself was a record auction bid for the artist.

The top price was the SF500,000 paid for "L'gerbier maritime," an internally decorated vase, in aquamarine. "L'orchidée," an amber glass with silver foil inclusions, also did well at SF450,000. There was keen Japanese buying, and considering the problems in the decorative art market at auction in recent weeks the results must be reckoned to be encouraging.

On Sunday night Habsburg-Feldman held its most important auction of Impressionist pictures. It was not a great success, but there were some reasonable prices for the most important items. A bronze by Joan Miró, almost 80 inches high, and titled Personnage, sold at the top of its estimate for SF450,000, around £180,000. A portrait by Marie Laurencin of a young girl wearing a hat enhanced with pearls sold slightly above forecast at SF430,000, while "La femme au boa" by Van Dongen was on target at SF270,000.

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Tuesday June 28 1988

Gorbachev's gamble

ONE OF the more reliable indicators of the mettle of a Western political leader must surely be his or her readiness deliberately to court unpopularity by telling voters painful home truths and standing by his or her convictions to the extent of persisting with unpopular policies.

Eastern bloc leaders who do not need to win general elections can, and do, get away with much more in this line. They must, however, be seen to be firmly in command, sustained by networks of supporters in key positions, masters of the art of manipulating and fine-tuning their party machines if they are to survive the machinations to which their political systems are prone.

So the spectacle of the most powerful leader in the East risking a public demonstration of his lack of support, of his inability to rig a conference and arrange a resounding show of approval of his policies, is mind-boggling indeed.

Until the advent of Mikhail Gorbachev, the prospect of the Soviet Communist Party publicly repudiating its leader and his policies was about as likely as that of the Conservative Party conference voting no-confidence in Margaret Thatcher and calling for the introduction of central planning.

The Soviet party conference which opens in Moscow today, the first such forum to be convened since 1941, could turn into a landmark in Soviet history comparable to the 20th party congress of 1956, at which Khrushchev denounced Stalin and launched the first round of de-Stalinisation, sending shock waves throughout Eastern Europe.

Grass roots

This conference, to be attended by 5,000 delegates from local party organisations, is less formally structured than a party congress and cannot change the party rules. It is intended more as an exercise in involving the grass roots in the political process and rallying all levels of the party behind Mr Gorbachev's revolutionary programme of economic and political reform.

It is difficult to assess from the outside how big a risk Mr Gorbachev is taking, and to what extent the outcome is genuinely open. Certainly, the preliminary skirmishes over the selection of delegates, which apparently produced an uncomfortably large weighting of conservatives and opponents of reform, are open to differing interpretations. It may be that Mr Gorbachev found it more important to stand back and demonstrate his commitment to more democracy in the party than to have things entirely his own way at the conference; or it may be simply that the skill with which he installed his supporters in key positions in the upper echelons of the party in his first year as general secretary is less effective further down the hierarchy.

Dramatic impact

In any case, the decades of concealment of internal party disputes and factional struggles have given the present cold war between reformers and conservatives a dramatic impact which may be out of all proportion to its real significance in terms of party unity and stability.

If the conference should give Mr Gorbachev and his programme a resounding raspberry, it is hard to see how he could recover politically. But the Soviet leader has recently evinced signs of a growing appetite for stirring up ideological hornet's nests and forcing his people to re-examine their most deeply rooted assumptions.

The rehabilitation of the Old Bolsheviks executed by Stalin; the re-evaluation of Soviet history; the public questioning of the infallibility of Lenin; advocacy by some of Gorbachev's closest advisers of a shift of power from the party towards elected bodies: these all suggest a supremely confident leadership.

Perhaps even more significant is the willingness of that leadership to allow political differences at the top of the hierarchy to be aired in public, to be fought out in the letters columns of the newspapers, even on television.

Glasnost, usually translated as "openness" but more accurately rendered as "publicity", is a new phenomenon, as baffling to us in the West as to the average Soviet citizen; but we have already seen that the West, for all its years of experience in the field, has little to teach Mr Gorbachev about the use of publicity.

The perils of fast growth

ONE OF the disconcerting features of fairy tales is that wishes are granted, but not quite in the way they are hoped for. Not so long ago, after all, the UK Treasury and the Bank of England made clear their desire to see a lower exchange rate and higher interest rates than the combination – to take an example – of DM 3.18 and 7.5 per cent of May 18. After the announcement of a current account deficit of £1.2bn in May and £4.7bn in the first five months of the year, would they have preferred to have had their wish left ungranted?

They can certainly not complain about the willingness of both the UK and world economies to provide them with what they want. The strengthening of the dollar is *ipso facto* a depreciation of sterling. The dollar's strength has also encouraged higher interest rates in Germany, so permitting the UK to have higher rates as well.

Meanwhile, the strength of UK demand is generating a current account deficit quite sufficient to undermine confidence in sterling at the interest rates prevailing only a month ago. The first five months of the year have already seen a deficit larger than that expected, at the time of the budget, for the year as a whole.

The current account

It would be wrong to complain too much, since only thus could the authorities have enjoyed the combination they desired. One can have markedly higher interest rates than one's competitors only if the market expects the currency to depreciate. But a competitively-valued currency will not be expected to depreciate unless either a deterioration in competitiveness or a significant deficit in the external accounts is anticipated.

More important, the current account is the main pressure valve for the economy. Figures released yesterday show that real consumers' expenditure in the first quarter of 1988 was more than seven per cent above the level a year earlier, though only 1.3 per cent above the level in the last quarter of 1987 (because of a small – and welcome – recovery in the savings rate). The London Business School now expects that consumers' expenditure will rise by 4.6 per cent in real terms in 1988, not far below the 5.2 per cent increase of last year, while fixed investment is forecast to grow by over 8 per cent in 1988.

The main challenge to the Chancellor of the Exchequer is to ensure that inflation remains suppressed. At present the sole instrument remains the short term rate of interest, which must achieve two objectives: control over money and credit and avoidance of exchange rate depreciation.

Interest rates

Does the current account deficit matters to itself? Experience suggests that countries cannot run current account deficits without limit, but this may be because of the fear of currency depreciation and exchange controls, which imply special risks to lending across frontiers. In the present case, the borrowing may yet turn out to be benign, provided inflation and depreciation are avoided. The external deficit may even be the best way for a profligate nation to finance the needed expansion of investment.

For the moment the government is getting what it wants in the only way it can. Further increases in interest rates are probably on the way. Some thought may also be given to fiscal adjustment. A Chancellor as imaginative as Mr Lawson could surely find a way of tackling the concern about excessive drinking, while – quite incidentally – raising more revenue. Even VAT harmonisation may look a little bit more attractive than before, while incentives to borrow for house purchase could usefully be put under scrutiny, too.

More fundamentally, the hope must be that private savings will continue to recover spontaneously. With such a recovery, the private sector's dash for growth would turn out in work where similar public sector efforts have failed. The external deficit would then be no more than a welcome release of transient pressure. The Chancellor of the Exchequer has been a lucky man in the past. Maybe, the fairy story will have a happy ending after all.

BT: clearing the line on prices

The results of Oftel's review of British Telecom's charges will send out an international signal. Hugo Dixon reports

THE OUTCOME of negotiations over prices between British Telecom and its regulator, the Office of Telecommunications (Oftel), will be important not only for telephone consumers in the UK and BT's profitability, but also for the way in which monopolies are regulated in any country.

Agreement on a new formula for regulating the telephone monopoly's prices is due to be reached within the next week, otherwise the Monopolies and Mergers Commission will be brought in to arbitrate.

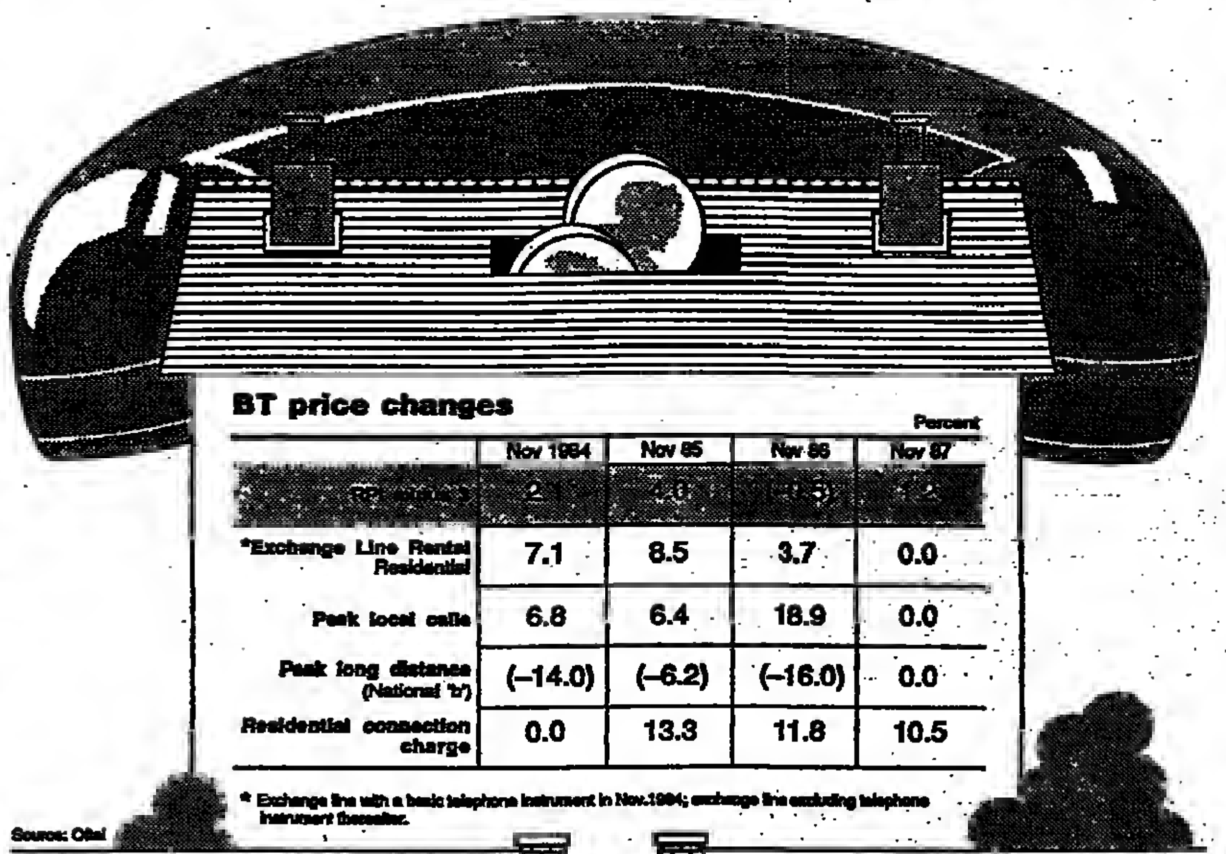
The settlement's importance lies in the fact that when BT's regulatory structure was put in place four years ago, the Government pioneered a new method of monopoly regulation. Instead of capping profits – a method used to regulate private sector monopolies for many years in the US – it chose to cap prices. Under the so-called RPI-X formula, BT was prevented from putting up its prices by more than the rate of inflation less X per cent. In other words, BT was told to reduce its prices by X per cent in real terms each year. X's level depended on the gains BT was expected to be able to make by installing new technology and eliminating waste.

Since then the price cap approach has won many admirers. An RPI-X+Y formula – with Y standing for increases in energy costs – was used when British Gas was privatised and a similar system is likely to be adopted for the electricity industry. Further afield, the Federal Communications Commission, which regulates US telecommunications, is planning to replace its present profit cap with a price cap. Oftel has seen a steady stream of visitors, from countries such as India, Japan and Australia, who want to learn about RPI-X.

Price capping largely owes its popularity to the perceived weakness of profit caps. The Littlechild report, which originally recommended the RPI-X formula, argued that when a monopoly's profits were capped it had no incentive to improve efficiency. A price cap, by contrast, would spur it to efficiency because its shareholders would benefit from any cost savings. A further advantage was that administering a price cap would not require a vast bureaucracy.

However, while other countries are taking an increasing interest in price caps, the British are realising that there is not so much difference between a price cap and a profit cap after all. This is because whenever the price cap formula is reviewed, the regulators have to judge whether BT is making excessive profits. In other words, there is a maximum level of profits that the company is allowed to make over the long run. As Mr John Vickers of Nuffield College, Oxford points out, this means that BT has no incentive to boost profits in the run-up to a review.

Professor Bryan Carsberg, who runs Oftel, recognises that this could be a problem. He argues that the disincentive could be minimised if it were understood that the review would allow BT to keep some of its extra profits, rather than having them automatically fed back to the consumer.



BT price changes

Percent

	Nov 1984	Nov 85	Nov 86	Nov 87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
*Exchange Line Rental Residential	7.1	8.5	3.7	0.0
Peak local calls	6.8	6.4	18.9	0.0
Peak long distance (National 'b')	(–14.0)	(–6.2)	(–16.0)	0.0
Residential connection charge	0.0	13.3	11.8	10.5

* Exchange line with a basic telephone instrument in Nov.1984; exchange line excluding telephone instrument thereafter.

Source: Oftel

The past four years should have shed some light on this issue. But Mr Carsberg admits that his belief in price caps is founded on a general feeling that the system works, rather than on concrete examples of improved efficiency. Mr Iain Vallance, BT's chairman, says the benefits have "a lot to do with an attitude of mind".

Nevertheless BT, Oftel and the consumer bodies agree that price caps are preferable and so Oftel's review has revolved around three main questions: What should X be?

At present, it is 3 per cent, but consumer bodies argue that this allows BT to make excessive profits – the pre-tax figure for 1987/1988 was £2.2bn. They say X should be 4 or 5 per cent.

The only indication Mr Carsberg has given of what he considers acceptable was his pronouncement that the £1.8bn profit of 1985/86 – a nominal return on capital of 19.5 per cent – was not excessive. This figure has now crept up to 20.7 per cent. The stock market is expecting X to rise to 4 or 5 per cent, says Mr Stephen Owen, an analyst with James Capel, who estimates that for each 1 per cent increase in X, BT's pre-tax profits will fall by £50m.

Which prices should be capped?

An advantage of the RPI-X formula is that only the prices of those services in which BT has a monopoly need be regulated, others can be determined by the free market. The problem lies in deciding which services have sufficient competition.

At the moment, only the prices of local calls, long-distance calls and residential line rentals are capped. But it now seems that the Government was over-optimistic about the speed with which Mercury Communications would start to compete with BT. It is only now beginning to make a significant push for market share. The continuing lack of competition is one of the reasons why residential and business customers are pressing for more services to be capped.

The main complaint of residential customers is that BT has increased its connection charges by 40 per cent since 1984. The business community is worried that prices of private circuits are shooting up, although there is a dispute about how quickly they have been rising. BT is resigned to the fact that connection charges will now be capped, but it is putting up a fight to prevent the capping of private circuits.

Mr Brian Reynolds, telecommunications manager at Courtaulds, claims that competition from Mercury in providing private circuits has been patchy, but Mr Vallance says that there has been more competition in this area than in almost any other and to cap it now would be "a recognition of a failure of competition policy". Oftel is believed to be backing the business community.

Should there be individual price caps?

The RPI-X formula applies to a basket of BT's services rather than each of them. As a result, the price of some services can shoot up so long as there are compensating falls elsewhere in the basket. The rationale was to allow BT to "rebalance" its prices which were often out of line with costs at the time of privatisation.

Consumer groups, which have seen the price of peak-rate local calls rise by 35 per cent since 1984, even though the service is included in the basket, are now calling for individual price caps. "They've been telling us for seven years that they're rebalancing," explains Mr Bill Melran, chairman of the Telecoms Users Association. "It should have finished."

But Mr Vallance contends that because of technological changes, costs continue to shift and so rebalancing will always be needed.

When it comes to describing the process by which BT determines prices, Mr Vallance is rather vague. The procedure is a "bit rusty" and requires a certain amount of "artistic licence", he admits, because there is no single way of allocating costs to individual services. Nevertheless, he is adamant that the imposition of individual price caps would be a step towards a strait-jacket and what had previously been "renowned as a sensible system of regulation would fall into disrepute".

How Oftel answers these three questions will help determine whether BT's customers or its shareholders get the better deal between now and the next review in about five years' time.

If Oftel keeps X at 3 per cent and decides not to change the composition of the basket, the shareholders will benefit.

If it plumps for a higher value for X and individual price caps covering a larger number of services, the customer will be the immediate beneficiary. Equally importantly, however, Oftel would be sending out an international signal that a more heavy-handed approach to regulating monopolies is needed than was envisaged when price caps were originally adopted.

A mixed reception for the US price-capping proposals

THE thinking behind the US Federal Communication Commission's recent proposals to move to a price-capping regulatory system for long-distance telephone lines hinges on the shortcomings of the present rate-of-return mechanism.

Under the rate-of-return regime, the costs of different services are analysed and tariffs fixed to achieve a pre-determined profit margin – 12.2 per cent in the case of American Telephone and Telegraph, the dominant long-distance carrier. This process, say the critics, encourages over-investment in current services – known familiarly as "gold-plating" – along with a hyper-cautious approach to new products.

"Rate-of-return regulation does not distinguish between profits that are generated by monopoly price behaviour and profits that are generated by socially desirable economising and innovative activity, the so-called entrepreneurial profit," says Mr Dennis Patrick, chairman of the FCC. "By not allowing for the possibility of entrepreneurial profits, it may keep service costs, and thus prices to customers, higher than they need be."

Mr Patrick's plan to replace the rate-of-return criteria with price capping for the regulated long-distance carriers – AT&T and the long-distance elements of the local operating companies – is now in the middle of a crucial discussion stage. The industry is being asked to react to a list of proposals which sound uncannily like the regulatory system developed in the UK:

- Prices to be regulated would be divided into two main groups, or "baskets", one covering the public telephone network, and the other private lines leased out to business customers.
- There would be an annual increase in prices by the rate of inflation, but this figure would then be reduced by 3 per cent to take account of productivity improvements. This "consumer productivity dividend," as Mr Patrick calls it, has been arrived at by taking the industry's historic rate of productivity improvements, estimated at about 2.5 per cent, and adding half a percentage point as an incentive to additional productivity improvements.
- Within the baskets, the operators could charge for different services with a great deal of flexibility, although both individual increases and individual cuts would be subject to a maximum rate of 5 per cent. This would help make regulation less intrusive and expensive.
- Operating companies could chose to stay with the traditional rate-of-return system of regulation if they wanted.

Mr Patrick claims that a switch to the price-capping method could reduce telephone rates by $1.6bn in the US over four years. He still has some way to go, however, to convince his critics to support the proposed change. Congress, particularly on the Democratic side, is sceptical. Other members of the Commission are not overwhelmingly enthusiastic and customers are worried about the flexibility the system would give the operators to change prices.

Among the operators, there has also been a mixed reception. AT&T, the company most affected, has so far said nothing, while some of the rural network groups have voiced reservations about their ability to achieve 3 per cent productivity increases.

Bell Atlantic, on the other hand, operating in an area of considerable population density, is enthusiastic. "This will give us an incentive to invest in risky new ventures," says Mr Philip Campbell, chief financial officer. "When you are looking at innovative businesses which have the potential to return 18 per cent or nothing at all, you need to be given the opportunity to succeed."

Terry Dodsworth

OBSERVER

Bonn's man of the moment

■ An important portion of the laurels for West Germany's successful six months' period as European Community President this year must go to Lutz Stavenhagen, Bonn's state minister in the Chancellor's office.

Bespectacled and bristling with confidence, Stavenhagen has become a key figure in the circle of advisers around Helmut Kohl. Now 48, Stavenhagen was brought into the Chancellery from the Foreign Ministry to take over coordination of European affairs and add pep to the Kohl team.

His occasionally brash manner can test the nerves of his former department and has sometimes led to a confusion of roles with the staff of Hans-Dietrich Genscher, the Foreign Minister. But Stavenhagen has played a big part in boosting German enthusiasm over the past six months for the Commission's plans for a full internal market by 1992.

He paints an enthusiastic picture of the economic advantages of the internal market programme. "It will go like a bomb." As for the idea that German exporters have profited more than most from European integration so far, he declares: "We're good, so what?"

Stavenhagen rejects the notion that Bonn could be worried about the need to protect less efficient industries after 1992: for instance, from the threat of unwanted cross border takeover bids. Openness is a two-way street, he says.

Born in Jena in what is now East Germany on the eve of the second world war, Stavenhagen – a CDU deputy in the Bundestag since the early 1970s – keeps an eye on Eastern Europe. Stronger links between the Community and the Communist states, underlined by the latest signing of an accord between the EC and Comecon, could help build bridges across the divided German nation, he says.

Stavenhagen also has responsibility in the Chancellery for relations between Bonn and the Federal States or Laender. And in Hanover yesterday, when Kohl was basking in general praise over the German Presidency, Stavenhagen may have had less pleasant thoughts on his mind. Hanover is not only the venue of the EC summit but also the capital of the state of Lower Saxony, which has threatened to vote against the Government's tax reform bill in ten days' time in the Bundesrat unless Kohl makes concessions on regional aid.

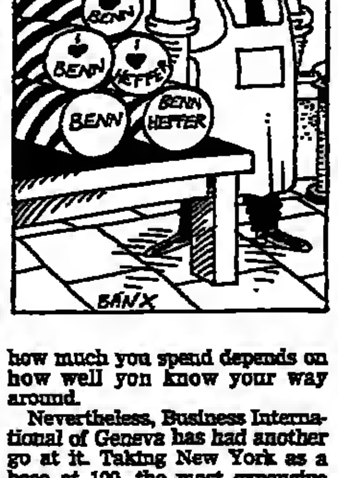
Divine interlude

■ Dublin's barmen are threatening to go on strike. They object to new legislation which will do away with "The Holy Hour," the non-alcoholic segment of the Dublin day when the city's bars are required to close their doors.

Barmen say they are already overworked. They are after substantial compensation for what will be in effect a non-stop day slaving at the pumps and optics from 10.30am till 11.30 pm.

The Government says the Holy Hour is old fashioned and confusing to tourists. It was introduced in the early days of Irish independence "to disturb the long sitter". In practice, it has been open to numerous abuses. Drinks would often be ordered in advance to carry the seasoned tippler through a potentially thirsty part of the afternoon. A nod, a wink and a beckoning from the barman and a magic snug would be opened, well away from the policeman's eye.

"Ah yes," said a French visitor, "the Holy Hour. That is when you go in the door at the back."



Expensive places

■ Surveys of the world's most expensive cities should be treated warily. Exchange rates change, tastes are subjective and a lot of how much you spend depends on how well you know your way around.

Nevertheless, Business International of Geneva has had another go at it. Taking New York as a base at 100, the most expensive city in the world is now Tokyo which comes out at 231. Osaka/Kobe is not far behind at 219 and Tehran comes next at 192.

The cheapest is Caracas at 38 and indeed life seems to be relatively cheap throughout much of Latin America. Buenos Aires comes out at 43, Rio de Janeiro at 51 and even Mexico City is only 64, which means that 55 major cities around the world are more expensive.

The most expensive city in Europe is Oslo (152), closely followed by Zurich, Geneva and Helsinki. The figure for Paris is 125 and for London 123, which means that both of them scrape into the top 20 world-wide.

Nearly all the US cities cluster around the 100 mark. Riyadh looks cheap at 88. Moscow is 99 and Peking 94.

The most interesting developments, however, seem to have been going on in French-speaking Africa. Brazzaville, Libreville, Abidjan, Dakar and Lomé are all in the world's top 10. The main reason is the strengthening of the Central African franc which is pegged to the French franc. The days when French economic policy was based on periodic depreciation of the currency are over.

Working Prince

■ The Prince of Wales is seeking business advisers for some of the 5,000 young people who have been helped by his Youth Business Trust.

The PYBT, set up two years ago, helps 18 to 25-year-olds who are out of work or in some way disadvantaged by providing loans or grants for new businesses. It has an 80 per cent success rate with its businesses, but many of the infant enterprises need advice on matters like VAT and accounting, stock control, income tax and legal matters, and marketing. Volunteers with experience are being asked to spare an hour or two a week to pass on their expertise.

Graham Wray, 23, a partner in the Liverpool firm, Willy Wipers, which has a turnover topping £100,000 supplying wiping rags to industry, said his company could not have started without the Trust's help. "Everybody needs a rag," said Wray, but not everyone was convinced of this in the early days.

"The Trust holds shows where we have a stall," he went on, "but though there are plenty of hangers-on nobody seems to want to buy from us. The word has got round that the Prince tends to stop at our stall because he knows us and a crowd of about 40 or 50 gather around beforehand then disappear when he's gone.

"What we could really use is a sort of small business club in which we could exchange ideas and problems."

Boring beasts

■ Heard from a small boy at Whipsnade Zoo: "I'm sick of looking at wolves and deers and things! When do we get to the Whipsnades?"

Letters to the Editor

'Racism is indivisible'

From The Reverend Kenneth Leech.

Sir, Your leader (June 23) "The limits of discrimination" makes some valuable points which need emphasis, and at times it oversimplifies in a potentially confusing way.

You rightly support special provision to counter racial disadvantage; rightly point out that action so far has not greatly affected the economic position of black people; rightly criticise government ministers for simplistic and harmful utterances; and rightly condemn the damage to black family life by immigration legislation. However, there are three aspects of the attack on discrimination and disadvantage which need emphasis and clarification.

It is not enough to say that "the UK is a country whose social order has been formed by the fissures of class *rather than* race" (my italics). It is as mistaken to reduce class to race, or race to class, as it is to make a sharp contrast between them. Race and class are not the same, but they are intimately connected.

The lesson to be drawn from their interconnectedness is that all anti-racist activity must be set within the context of the attack on class division and class oppression. That was the underlying message of the MacDonald report on Burnage which was obscured by much media coverage. Yet colour has added new and specific dimensions to class and social divisions which cannot be ignored.

It is true that "positive discrimination on race grounds has clear limits." The work of Professor William Julius Wilson in Chicago has shown conclusively that positive action policies have benefited mainly the aspiring black middle class, while the conditions of the black poor have deteriorated markedly during the very years in which positive action has been most successful. But Professor Wilson does not argue *against* positive action: rather he stresses the need to widen and strengthen the attack on social deprivation and on the social isolation of the inner city.

In British cities there are no equivalents of the American urban ghettos: what we have are areas of acute deprivation and poverty involving people of all colours. The limits of positive action on race to deal with this situation must not be distorted into an attack on the limited yet significant achievements (which the Runnymede Trust documented recently in Elizabeth Burney's report, Steps to Racial Equality; Positive Action in a Negative Climate) and the need to build upon them.

Finally, it is necessary to reiterate that the ideology and practice of immigration control undermines attempts to combat racism within Britain. Racism is indivisible. Racial discrimination at the doors of Britain is no basis for combating racial discrimination within Britain. As long as "good race relations" is linked with tight, race-specific controls on entry, the credibility of government action against discrimination will remain in question.

Kenneth Leech,
The Runnymede Trust,
178 North Gower Street, NW1

Nobody seems interested in starting with basic principles

From Mr P.W. Moran.

Sir, Barry Riley's article "Smart Money, Shabby Advice" (Weekend FT, June 18) was particularly interesting in the way it linked Signal Life of Gibraltar with Barlow Clowes of Gibraltar.

I said (in 1976) that the Insurance Brokers Registration Act was a spurious accolade of respectability. Within months, registered brokers had lost millions in clients' money with Signal Life. I said (in 1987) that the Financial Services Act was a spurious accolade of respectability. Within weeks, Fimbra (the Financial Intermediaries, Managers and Brokers Regulatory Association) members have lost millions in clients' money with Barlow Clowes.

It is a constant source of amazement to me that nobody seems interested in starting with simple basic principles. When Fimbra asked me searching questions about our accounts I pointed out that these were irrelevant. We handle no clients' money. If my firm went bankrupt tomorrow not a single client would lose one farthing. (Furthermore, it is a partnership, and the partners have declared substantial unencumbered personal assets.) On the other hand, Fimbra should demand up-to-date, complete information on where I place all my business. (Of course there is little point in seeking this information if nothing is to be done with it.)

Life and pensions brokers should not be in the business of capital investment at all. Our job is to persuade people to make sacrifices now, in the form of new savings, so that smaller sacrifices will be necessary in old age. When we perform this function well we deserve every encouragement and an attractive profit. But there is no reason to believe that this qualifies us to move existing capital from A to B, when we have many unsophisticated clients who inadequately understand that B is more speculative than A.

We have been lucky with a bull market and high interest rates, but Signal Life and Barlow Clowes are not the end of the story. They are the beginning. In due course most unit linked pensions and single premium bonds may cause widespread dismay.

The Financial Services Act not only hands out spurious respectability – and tilts at windmills; it also encourages the part-time amateur. In future it seems that banks, building societies, solicitors, accountants and estate agents will all be dabbling in our business.

I am not suggesting that if we had concentrated on our own business and put our own house in order we would have avoided all this ineffectual bureaucracy. But at least we would have had a better case. I am not suggesting that nobody else has ever recommended Barlow Clowes. But that is no business of a life and pensions consultant, broker, IFA, or whatever we are calling ourselves this week.

I gather some investors in Barlow Clowes UK may try to sue the Department of Trade and Industry. I wish them luck. If they succeed, perhaps the millions of people who lost on Serps could then sue the Department of Health and Social Security.

P.W. Moran,
Moran Webb
212 Portland Road,
Hove, Sussex

Debate by statistics

From Ms Vanessa Fry.

Sir, Joy Townsend (Letters, June 22) contests the conclusion of our recent tobacco study reported in your Observer column (June 13), that "the price of cigarettes affects the amount which smokers spend, but not the decision to give up smoking."

She accuses us of overlooking a data set which casts doubt on our conclusions, and of issuing a misleading press release. Her criticisms are ill-founded.

The Institute for Fiscal Studies (IFS) is primarily interested in taxation and how it affects the welfare of households and their spending patterns. For these purposes the Family Expenditure Survey, on which our report was based, is the only reliable data source. The "excellent data . . . on individual smoking habits" from the General Household Survey which Mrs Townsend would have us use does not tell us how much money people spend – either on cigarettes or on other goods. A proper analysis of the effect of price on smoking is impossible without this information.

Both our report and the accompanying press release make it clear that the analysis is based on household data. The two charts which figured prominently in our press release are clearly headed: "The percentage of households containing at least one smoker." Moreover, our report nowhere suggests that those on low incomes are taking up smoking, but that the sorts of households most likely to contain smokers are now worse off, relative to the average, than they were in the early 1970s. Wider factors such as unemployment are likely to be responsible. The consequence is that tobacco taxes now bear relatively more heavily on the poor.

Our conclusions are based on a comprehensive and systematic analysis which tells us a great deal more about household spending behaviour – and hence the likely response to price changes – than the sort of piecemeal and circumstantial evidence cited by Mrs Townsend. For although – as she says – the number of smokers fell when the price rose between 1972 and 1986, the number of smokers also fell when the real price was falling, for example between 1972 and 1976.

This kind of debate by selective use of statistics does nothing to advance knowledge. Our analysis, by contrast, goes to considerable lengths to control for all the factors other than price which may have affected decisions about smoking. It is not our fault that the data does not come up with all the results that Mrs Townsend would have liked to see.

Vanessa Fry,
IFS,
180-182 Tottenham Court Road, W1

Airlifted back to the past

From Mrs Christine Cuming.

Sir, I read Leslie Colitt's article about the Berlin Airlift (June 21) with great interest. I was in Berlin at that time with my father, General Sir Brian Robertson, then head of the British Military Government in Berlin.

You may be interested to know that the first person to suggest that Berlin could be supplied by air was not an American, but a comparatively junior British airman called Group Captain Brian Yarde, then in command of Gatow. He managed to convince the UK authorities that it was possible to supply Berlin in this fashion. They in turn convinced the Americans. (General Clay wanted to break the blockade by approaching Berlin with an armoured train. Goodness knows what the result of this would have been.)

Christine Cuming,
Hill Farm,
Bragenham,
Leighton Buzzard, Bedfordshire

Apple of an American eye

From Mr August Schumacher Jr.

Sir, The recent European Community (EC) ban on imported fresh apples has adversely affected Massachusetts McIntosh apple exports. We are very hopeful that this ban will not be reinstituted this coming crop year, to ensure that British consumers can continue enjoying some of the finest apples produced anywhere.

We have been promoting this fine Massachusetts product in Midlands and Scottish supermarkets. We are concerned that British consumers would continue to be denied this high quality, fairly-priced fruit of our orchards.

We in Massachusetts consume many EC fresh and processed food products – such as French pears, Dutch peppers, tomatoes and flowers, and Italian radicchio, not to mention British stilton cheese, beer and cider. In the spirit of a level playing field on trade, we would hope that this arbitrary and capricious barrier on fresh apple imports would be removed immediately and not be reinstituted.

Peter Montagnon's Lombard column (FT, June 2) explains very well why we are so concerned with this problem here in Massachusetts. We hope the appropriate EC officials might take heed, and restore the shipment of our quality McIntosh fruit to British apple *aficianados*.

August Schumacher,
The Commonwealth of Massachusetts,
Leverett Saltonstall Building,
Government Centre,
100 Cambridge Street,
Boston 02202,
USA

Cashing up to value

From Mr Damian O'Malley.

Sir, Lex's article about "brand values" (June 20) refers to the need to assign a cash value to brands as a necessary precursor to assigning a value to marketing and advertising.

In advertising agencies we preach that advertising is an investment and yet, in truth, there is no method of assessing the return on that "investment."

A brand's value is tha stream of future earnings which can be expected from that brand. This should be calculated by multiplying current net earnings by the brand's own price/earnings ratio (p/e), a factor which would reflect the strength of the brand in its own sector, the prospects for the sector and the competence of the brand's managers.

The return on advertising "investment" would be calculated by its short term effects on current net earnings and its long term effects on the brand's p/e. We have no "brand market" to balp us calculate the brand's p/e on a day to day basis (as the stock market does for company p/e's), but we are looking for a substitute (using econometric modelling).

Damian O'Malley,
Woollams Moira Gaskin O'Malley,
Portland House,
13-13 Greek Street, W1

SA voting patterns follow tribal loyalties

From Mr Otto Snel.

Sir, The opinion expressed in your editorial (June 15) to the effect that western governments have no option but to "do business" with the African National Congress (ANC), lacks understanding of African tribal thinking.

Black African "liberation" history has repeatedly shown that black voting patterns have followed tribal loyalties. The ANC, with its present Xhosa-dominant leadership, is unlikely to have much support among South African tribes other than the Xhosa, which makes up 12 per cent of SA's population.

Paradoxically, the Coloureds (11 per cent), whose principal home language is Afrikaans and who mostly ally to the White tribe, and the whites (19 per cent), make up the largest grouping. The Zulu (23 per cent), well organised in Chief Buthelezi's Inkstha movement, may also hsve the backing, for historical reasons, of some of the smaller tribes.

These two groupings are, therefore, much more representative of South Africa than the ANC. Western governments which deal with the ANC as the "sole representative of South African black opinion" may well be backing the wrong horse.

Otto Snel,
21 Warwick Mansions,
Cromwell Crescent, SW5

Tax relief would widen the market

From Mr Anthony J. Byrne.

Sir, It would seem that Treasury calculations, estimating the consequences of granting tax relief to health care insurance subscribers, are based on the assumption that average subscription rates are about £300pa.

This is not tha case. Employer schemes may run at this level, but for individual subscribers the cost is about £500 per year. This means that if tax relief is introdnced, individual contributions to the total spending on health care would be higher than Treasury figures show. These estimate a deadweight cost of about £200m for granting tax relief to the current 3m subscribers. At the higher subscription levels paid by individuals – about £375 per year after tax relief – only 600,000 extra subscribers are needed in order to break even; an increase of about 20 per cent.

A discount of 25 per cent on existing subscription levels brings health care insurance into the reach of a larger potential market than at present. The number of subscribers would easily double.

Anthony J. Byrne,
Independent Hospitals Association,
Africa House,
64-78 Kingsway, WC2

'With profit' contracts are part of the range of insurance

From Mr W.N. Anderton.

Sir, Mr Ranson's letter (June 16) about the bonus philosophy of insurance companies highlights the need to look at the consistency of approach in such a philosophy, as well as a company's "free assets" – a measure alongside any "hidden" free assets – which are available for future earnings and distribution.

What also must be borne in mind is the need (within the insurance industry) to keep "with profits" insurance as a fundamental part of the range of insurance contracts on offer.

Life insurance offers more than just life cover. It offers a wide degree of investment choice; and gives the regular saver an investment opportunity few other institutions can match, not only in flexibility but in investment performance and choice.

With profits contracts "insure" the investment risk by spreading the return evenly (and fairly) over a wide range of policy holders and generations of policy holders. This is in contrast to unit linking, where the policy holder gets the benefit of the ups and stands the cost of the downs.

The argument on with profits business, and perhaps a need for a general reduction in bonuses, ought to be centred on the equity – or not – of the distribution to the policy holders within the life fund.

The danger is that people will get the impression that with profits business is declining in popularity because of fears that a low free asset ratio may be unable to support bonuses. This may be far from the truth. The free assets published in the annual returns are the result of many different aspects, among which is the company's bonus philosophy.

Most with profits offices are in a position to carry on issuing with profits contracts, and continuing to offer *insurance* of both the mortality and the investment risk. Yes, offices might need to rednce bonuses, but this should not be seen as an expression of weakness, rather recognition that in today's economic environment of lower investment returns, bonuses need to be redneed to reflect equity between new and existing policy holders.

W.N. Anderton,
Anderton Kemp-Gee,
The Old Dutch House,
134 High Street,
Dorking, Surrey

FOREIGN AFFAIRS

Why Bush is not in command

Jurek Martin explains why US voters are finding it hard to like the Vice President

THE WHIMSICAL New Year predictions of Daniel Schorr, a veteran US reporter, included the following: November: Democrats fail to field presidential candidate; George Bush runs unopposed . . . and loses.

This pretty much reflected the conventional political wisdom of six months ago that the Democrats were in a mess and that the Vice President would be an awful candidate. The rise and rise of Michael Dukakis, the Governor of Massachusetts, has mostly changed the first part of that view, especially after his apparently successful management of both his party's platform committee and the Rev Jesse Jackson, in Denver over the weekend.

But the perception of Mr Bush's shortcomings has extended well beyond Washington insiders to the country at large, to the point that Mr Schorr's original proposition has been reversed. The belief now is that Mr Dukakis could easily be beaten if only the Republicans could find someone to run against him.

During two weeks in the US, covering California, New York and the nation's capital, it was hard to find anybody, including Republican faithful, with much confidence in Mr Bush's powers of recovery from his present deficit of upwards of 10 points. Because Mr Dukakis is no ball of fire and because local, rather than national, issues will be determining factors in many states, the forecast is still prevalent that the election will be, in horserace parlance, "down to the wire". But much smart money is now on Mr Bush finishing second mostly because he is proving so difficult to know, like and trust.

Mr Dukakis's thoroughbred credentials are not yet proven and it is easy to draw up a list of weaknesses which could well be exploited: it is not clear whether short Greeks who wear suits and wing-tip shoes while talking to surfers on Malibu Beach have instinctive political feel; to the extent that Americans care about foreign policy expertise, his lack of it, and doubts about the quality of some of the advice he gets, do not entirely reassure; there is a suspicion that Mr Dukakis, so controlled so far, does not suffer fools gladly and might be goaded into uttering something very impolitic during the campaign; George Will, a conservative American commentator but no fan of Mr Bush, thinks the Governor may come to be seen as a "nag".

Mr Dukakis's record in Massachusetts, especially the unhappy circumstances of his first term and defeat, is going to be put under a microscope and a fair amount of inevitable dirt will be magnified for public consumption. Finally, it may be true that the whole country, and not just the Deep South, is still suspicious of Harvard "liberals". However, Mr Bush, who went to Yale, really did stretch credulity by trying to instruct the nation on the differences between these two great Ivy League universities. He would have been better understood if he had simply asserted the one undeniable truth, that the pizza is better where he went to school in New Haven than it is in Cambridge.

A presidential election is, after all, at least as much about contrasting personalities as it is about policies and tactics and for each doubt about Mr Dukakis there seem even larger ones about Mr Bush. This should concern the Vice President because he has few inherited advantages beyond the continued strength of the economy. Detente with the Soviet Union is, after all, traditionally a Democratic, not a Republican, policy issue. President Reagan's coat-tails have always been notoriously short and his back-handed endorsement of Mr Bush some weeks ago was an embarrassing joke.

What ought to be Mr Bush's greatest asset is the sense of confidence that his long experience at the highest levels of government should bring. Yet he seems curiously unable to convey this. As Mortimer Zuckerman put it in a pungent editorial in the current US News and World Report: "Ronald Reagan creates the illusion that he is in command even when he isn't. Bush creates the illusion that he isn't in command even when he is. This lack of authority is sensed by voters – especially women, with whom he lags 28 points in the polls."

If there was a single incident which demonstrated Mr Bush at his most vulnerable in this respect it was his performance three weeks ago on the excellent late night ABC television programme, Nightline. Everybody is entitled to the occasional indifferent television performance, but those bidding for the highest office must always be on their guard against it. History shows this in a catalogue which includes the Nixon-Kennedy debate in 1960, Edward Kennedy's unconvincing meanderings about why he wanted the presidency in 1976 and Gerald Ford's inability to speak intelligently about Poland later that same year. In the UK, Neil Kinnock's latest excursion into impromptu televised policy-making demonstrated the perils, as well as the power, of the medium.

The Nightline appearance was instantly notorious for Mr Bush confusing his questioner, the intelligent, polite and persistent Ted Koppel, with another anchorman, Dan Rather, with whom the Vice President had had a celebrated confrontation earlier in the primary campaign. But this was an ephemeral embarrassment, even in an age of media superstars, compared with the overall impression Mr Bush gave throughout the programme.

It was not just that he was on the defensive; with issues such as Irangate and Panama hanging over his head, he could hardly have expected, as Mr Koppel said at the outset, a "free ride." But he could have prepared better. As it was, he ducked and weaved in an alarming manner, offering only the sketchiest accounts of meetings he had attended in Panama and Israel and pleading that he did not have his notes with him. One typical answer ran, in part, as follows: "Is the Vice President, or the President, supposed to know of every inquiry, every case that is being looked at? I'd say no. But did I ever hear any rumours? Maybe (I) heard some rumours, but I learnt long ago, particularly in intelligence, you don't deal just in rumours." Acceptable, perhaps, in its own right, but – multiplied 25 times in an hour long interview – confidence was not inspired.

It also ought to concern Mr Bush that he is becoming too much the butt of America's comics and cartoonists, much as President Carter did in his last year and much more than Mr Dukakis is. A favourite target is his use of language, specifically a tendency indiscriminately to mix his perfectly natural argot, that of the New England upper classes, with an entirely alien vulgarity of expression. In Washington, one Democratic Senator could not stop chortling after Mr Bush had described Mr Dukakis as "naughty", simply because he had used the adjective in Texas where it is not part of the standard vocabulary. Similarly, his macho comment after his TV debate four years ago with Geraldine Ferraro, the Democratic vice presidential candidate, that "we kicked a little ass," is now returning to haunt him, especially with women.

Indeed so severe is the "gender gap" that some believe that Mr Bush should name a woman to run with him. Elizabeth Dole, a former Reagan Cabinet member and wife of the Senator from Kansas, Senator Nancy Kassebaum, also from Kansas, and Sandra Day O'Connor, the Supreme Court Justice, all have impressive credentials. Indeed, there are probably more Republican women with the necessary qualities than there are in the ranks of the Democratic Party, which is more publicly committed to equality for the sexes. The trouble, however, is that such a choice might smack too much of desperation, as Mr Mondale's selection of Ms Ferraro indisputably did in 1984.

The contest is far from over. Mr Bush has imported some hard-nosed media professionals, including Roger Ailes, who did so much for the selling of Richard Nixon in 1968, to bring a sharper focus to his campaign. As it stands at present, they will have their work cut out. For George Herbert Walker Bush may well be, as his friends insist, a decent, honourable, knowledgeable man, but the national impression is rather like Gertrude Stein's damning comment on the city of Oakland, California: "There is no *there* there."

FINANCIAL TIMES

Tuesday June 28 1988

Minister rules out mechanical failure in Airbus crash

BY IAN DAVIDSON IN PARIS

MR LOUIS MERMAZ, French Minister of Transport, yesterday firmly ruled out a technical or mechanical failure as the cause of the crash of the Air France A-320 Airbus near Mulhouse in France on Sunday.

The inference of his declaration, at a press conference in Paris yesterday, was that the accident could have been caused by pilot error, though he explicitly refused to make any such allegation.

Mr Mermaz based his judgment on the preliminary examination of the two black boxes recovered.

The black boxes showed, the Minister said, that the aircraft had behaved normally in a mechanical sense. Specifically, he denied allegations ventilated after the accident, that the Airbus, which was flying low at an air show at Mulhouse-Habsheim, had responded too slowly when the pilot gave it throttle.

Mr Mermaz declined to offer an alternative explanation for the disaster, in which three people died and around 50 were injured; moreover, his technical clearance of the aircraft was inevitably provisional, since he has now set up a commission of inquiry which is expected to deliver a preliminary report within a month.

But the public prosecutor of Mulhouse appeared to attribute the accident to pilot when he said yesterday that the aircraft "was flying too low". According to the evidence of the black boxes, the aircraft was 30 feet above the ground and flying at 120 knots, when the pilots reapplied power.

The flight plan for the demonstration flight was yesterday reported to have specified that the aircraft should fly no lower than 100 feet.

"Nothing justifies suspending the flights of the A-320," said Mr Mermaz. "No currently available indication allows us to doubt the proper functioning of the aircraft."

He said that when the pilots pushed forward the throttles, power was restored at a rate well within the required norms.

Mr Mermaz pointed out that the A-320 had received airworthiness certificates from four European countries: France, Britain, West Germany and Spain.

Mr Mermaz ruled out any suggestion that a contributory factor could have been the fact that the A-320 was manned, as designed, by a two-man crew. He said that the black boxes showed that the pilots were perfectly lucid and aware of the situation, and that there was no panic. "A third man could not have added anything," he said.

Background, Page 2

Democrats quench a thirst for party unity

GOVERNOR Michael Dukakis of Massachusetts has achieved what many believed bad become impossible for a modern Democratic presidential candidate: the production of an election manifesto which is not only short but placates the party activists.

In Denver, Colorado, the Dukakis forces pulled off this tricky balancing act by displaying the same control and organisation which made their candidate an early favourite to win the November presidential election against the Republican, Vice-President George Bush.

The 1988 Democratic election manifesto, at under 4,000 words, will be the shortest statement of what the party stands for since Franklin D. Roosevelt squared up against Herbert Hoover in 1932. The document, entitled "The Restoration of Competence and Hope," largely avoids the pandering to special interests and minority groups which buried Mr Walter Mondale's campaign in 1984. Instead, it reflects a thirst for unity among Democrats, who have lost four out of the last five presidential elections.

Absent during hours of debate were the rambunctious platform debates of the past when Democrats clashed over the Vietnam war, civil rights, gay rights and anything else that took their fancy. "I've been coming to these meetings for the past 20 years," said Mr Richard Hatcher, the former mayor of Gary, Indiana, "and this is the first one where people were acting in a civil way."

This year, the party wants to win. What we saw in Denver was a carefully choreographed event in which the Dukakis forces – the governor and his wife were in Nantucket on holiday – exerted just the right amount of control over the activist wing of the party led by the Rev Jesse Jackson, the black civil rights leader from Chicago.

The Democratic wing led by Michael Dukakis (right) has produced a manifesto that placates the activists following a conference at which just the right amount of control was exerted over the wing led by Jesse Jackson (left). **Lionel Barber, in Denver, reports**

It has become a cliché that election platforms count for nothing since they are non-binding statements of what the party stands for. But as the Democratic leadership recognised this year, the platform does send a signal to voters at large about what the party sees as its priorities.

On the key issues of defence and taxes, the Dukakis camp gave not one inch. Mr Jackson's proposal for a five-year freeze in military spending was roundly defeated; so too was a motion that the US impose a unilateral moratorium on nuclear testing and renounce the first use of nuclear weapons.

On taxes, Mr Dukakis will have plenty of "wiggle room." A Jackson amendment to raise personal income taxes for Americans earning more than $200,000 was beaten back; so was a motion to restore corporate taxes to their pre-President Reagan level of 48 per cent.

But these defeats were telegraphed well in advance. Mr Dukakis enjoyed a clear majority of the 153 delegates present, and his Boston campaign staff proved sufficiently disciplined to keep everyone in line – unlike 1984 when Mr Mondale was still preoccupied with the threat from Mr Gary Hart.

The other story in Denver is that the Democratic party membership is still drifting left, despite the militant moderate image of Mr Dukakis.

The old conservative Democrats were invisible in Denver. Sure, Mr Jim Booe, a Washington DC platform committee member, offered an eloquent defence of the first use of nuclear weapons and the US commitment to the North Atlantic Treaty Organisation; and Congressman Tom Bevill of Alabama grumbled a little about the party's direction, but then he reassured himself: "No-one has ever been defeated for something he didn't say."

The voice of the party's old right-wing has long been faint, but on Saturday it was drowned in a cacophony of complaints about the treatment of minorities, the "poor getting poorer and the rich getting richer," ethnic stereotyping, AIDS treatment and what several speakers referred to as the need for "well-baby care."

The striking language of the platform appears on foreign policy, notably South Africa. While largely confined to rhetoric, the platform goes further than the current economic sanctions package moving through the House of Representatives sponsored by Congressman Ron Dellums of California. Not only is South Africa branded a terrorist state, but the US is called upon to lead the international community in imposing comprehensive sanctions against Pretoria and to "determine a date certain by which US corporations leave South Africa."

The rub appears to be that Mr Dukakis was prepared to give Mr Jackson his head on South Africa providing he modified his language on the Middle East, particularly on the desire for a Palestinian state. However, Jackson supporters pushed for an amendment calling for "self-determination for Palestinians" and "the realisation of Palestinian aspirations" and, although it was defeated, a similar amendment may still go to the floor of the party's convention in Atlanta next month.

One popular theory has it that Mr Dukakis would like Mr Jackson to bring some motions to the floor, if only because he could demonstrate, again, his control over the party and his desire to occupy the middle ground. But some believe this is far too machiavellian and that the governor is becoming a little tired of Mr Jackson's refusal to concede defeat and rally round the party's inevitable nominee.

As if to underline his reluctance to be reined in, the civil rights preacher was in Puerto Rico at the weekend, still sounding very much like a candidate. It is a measure of Mr Jackson's influence within the Democratic party that the Dukakis forces mesured the Denver platform debate not by what they achieved support for, hut by what they managed to prevent.

EC-Israel trade pact veto may be lifted

By Tim Dickson in Brussels

The European Parliament's dramatic refusal earlier this year to endorse three trade and financial agreements between the European Community and Israel could be reversed at next week's full meeting of the assembly in Strasbourg.

The issue has been put back on the Parliamentary agenda for the first time since the controversial March veto and according to one senior Parliament official in Brussels last nigbt, "there's a 60/40 chance that tbe accords will now go through".

Feelings about the handling of the unrest in the occupied Arab Territories, however, are still running high among many members in the key Socialist Group and there is no guarantee that the required 260 vote majority can be reached.

MEPs have not disguised the fact that their gesture, the first of its kind under tbe new powers of the Single European Act, was politically inspired. The three so-called protocols are of little economic significance, tying up the loose ends of Spain and Portugal's accession to the Community in January 1986, providing a 5 per cent import duty concession on cut flowers and other products, and confirming an Ecu63m ($73m) "soft loan" wbose terms are not considered to be extravagently generous.

The Israeli Government has nevertheless been angered and embarrassed by the affair and has conducted a lobbying campaign to put across its case.

European telephone companies aim for joint data network

BY TERRY DODSWORTH IN LONDON

A GROUP of 18 European public telephone companies has reached preliminary agreement on an ambitious scheme to set up a jointly owned data handling company for the region.

The plan brings together Europe's largest network operators, including the West German Bundespost, France's Direction Générale des Télécommunications and British Telecom, in an attempt to compete more effectively with a number of private companies in the data field.

Data communications is one of the fastest growing areas in telecommunications servicea. It expected to receive an additional stimulus in Europe from the plans for an integrated market hy 1992.

The public telephona companies, however, have failed to grasp as much of the market as they would have liked because of cumbersome procedures which mean that customers have to sign separate agreements with each national telecommunications supplier.

This has allowed the growth of several private US-based groups in the business, including EDS, the General Motors subsidiary; International Business Machines; and Geisco, General Electric's telecommunications subsidiary.

Discussion on the new scheme, which would offer the same kind of one-stop shopping approach as that of the private companies, started about a year ago. There have been indications recently that several of the more aggressive telepbona companies were becoming impatient over the slow pace of progress, but, following a recent breakthrough, proposals to set up the system will be put to the boards of the network companies with a target date for approval in the autumn.

Mr Mike Sheridan, head of international telecommunications at Telecom Eireann, the Irish telephone company and a member of the action group working on the proposals, said yesterday that the scheme would offer much simpler data communications to business users. All maintenance and billing could be done through one centre in whatever currency the cnstomer required, he told delegates to the Financial Times Conference on Telecommunications and the European Business Market.

Arafat supporters beaten in Beirut

BY NORA BOUSTANY IN BEIRUT.

GUERRILLAS loyal to Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, suffered a big setback at the hands of Syrian-backed Palestinian dissidents yesterday. At one stage they asked Libyan officers to mediate their safe passage ont of tbe ruins of the Chatila refugee camp.

Tbe military reverse experienced by Mr Arafat's mainstream Fatah group holding out at the battered shanty-town signalled that Syria's resolve to remain in control of factions still operating in Belrnt's Moslem sector remains as strong as ever. Palestinian officials said bundreds of figbters from tbe pro-Syrian group of Abu Musa had strengthened their grip over the squalid alleys and shacks of the camp.

This latest round of inter-Palestinian fighting broke out in April within days of an attempt at reconciliation between Mr Arafat and Syria's President Hafez al-Assad, estranged for five years. Followers of Mr Arafat managed to overrun positions of rival Fatah dissidents, pushing them out towards the airport road in the first stages.

A spokesman for the Popular Front for the Liberation of Palestine said between 50 and 70 Arafat supporters were still inside Chatila. "They have asked a Libyan major representing a group of Libyan officers to convince the Syrians to let them leave for Sidon with their weapons. This is now under discussion and the Syrians seem to be resisting this request," he said.

Twenty Libyan officers arrived in Beirut two weeks ago at the behest of Mr Arafat to try to end the fighting in Chatila and the Bourj el-Barajneh camp

"The fighters are all in there still. It looks like the Bastille fortress after a lengthy battle. But what happens now is no longer in the hands of the guerillas but between Damascus and Tripoli," one Palestinian official said.

In spite of the largely cosmetic reconciliation between Mr Arafat and Mr Assad, their contest for influence in Lebanon is still apparent.

Eurobond market hit by UK tax decision

By Stephen Fidler in London

A DECISION by Britain's tax authorities to end the current doohle taxation agreement with the Netherlands Antilles, a Caribbean tax haven, threw a section of the Eurobond market into confusion yesterday.

The Inland Revenne said it would terminate the existing double taxation convention with the Netherlands Antilles and neighbouring Aruba with effect from the start of the new UK tax year next April.

Negotiations over a new – but more limited – agreement with the Antilles are in progress, but none are taking place with the authorities in Aruba.

The announcement could have a significant impact on up to 30 Eurobonds issued by UK companies since 1984 through financing subsidiaries in the Antilles, Eurobond houses estimate.

They calculated that issues with a combined value of some $2bn to $4bn could, on the face of it, be affected. However, because of the confusion and the lack of trading in many of the issues, most bond prices were not significantly affected.

The decision means that UK companies which have issued Eurobonds through Antilles subsidiaries since July 26 1984, face a 25 per cent UK tax on their interest payments on them. Previously a special zero rate of tax applied. Becanse of the tax changes, some borrowers will be allowed to redeem the honds early at face value, which could be significantly below their current market price.

The Revenua said it would ensure that no Eurobonds issued before July 26 1984, were affected. Before that date, UK companies had to issue Eurobonds via overseas finance subsidiaries or pay the withholding tax. Since then, British companies have been able to make the issues direct and avoid withholding tax.

The Inland Revenue wants a renegotiation because of general concern that the treaty is being abused. "It hecame clear that third parties and residents of the two countries weren't using the double taxation treaty in the way it was intended," it said. "It was meant to prevent double taxation and not to stop single taxation."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	S	24	75	Malta	F	27	81	Rhodes	S	31	88
Algiers	S	27	81	Edinburgh	C	16	15	Manchester	C	15	59	Rio de Jo	C	20	68
Amsterdam	C	18	64	Faro	F	22	72	Manila	C	33	91	Rome	C	27	81
Athens	C	34	93	Florence	F	26	79	Melbourne	S	17	63	Salzburg	S	23	73
Bahrain	F	36	97	Frankfurt	F	23	73	Mexico City	F	25	77	San Francisco	S	13	55
Bangkok	F	35	95	Funchal	F	21	70	Miami	C	30	86	Seoul	F	30	86
Barcelona	S	22	72	Geneva	F	23	73	Milan	F	24	75	Singapore	F	31	88
Beirut	F	28	82	Gibraltar	F	23	73	Montreal	R	17	63	Stockholm	F	28	82
Belfast	C	15	59	Glasgow	F	18	64	Moscow	C	29	84	Strasbourg	F	26	79
Belgrade	C	27	81	Guernsey	C	15	59	Munich	F	21	70	Sydney	S	19	66
Berlin	C	17	63	Helsinki	C	27	81	Nairobi	C	20	68	Tangier	C	34	93
Biarritz	C	20	68	H. Kong	R	29	84	Naples	F	26	79	Tangier	F	22	72
Bombay	F	29	84	Innsbruck	F	22	72	Nassau	C	31	88	Tel Aviv	S	30	86
Bordeaux	C	22	72	Inverness	C	16	61	New Delhi	F	38	100	Tenerife	S	22	72
Brussels	C	17	63	Islamabad	F	39	102	New York	F	28	82	Tokyo	C	24	75
Budapest	F	26	79	Istanbul	F	31	88	Nice	F	22	72	Toronto	F	18	64
B. Aires	F	17	62	Jakarta	C	34	93	Nicosia	F	35	95	Tunis	F	28	82
Cairo	F	39	102	Jersey	C	18	64	Oporto	C	20	68	Valencia	F	25	77
Cape Town	S	17	63	Jo'burg	C	13	55	Oslo	F	32	90	Venice	S	25	77
Caracas	C	27	81	L'Pal	C	18	64	Paris	C	19	66	Vienna	C	24	75
Casablanca	F	23	73	Lisbon	C	23	73	Peking	S	30	82	Warsaw	F	25	77
Chicago	-	-	-	London	C	17	63	Prague	F	22	72	Washington	S	18	64
Cologne	F	22	72	Los Angeles	F	28	82	Reykjavik	R	6	43	Zurich	S	22	72
Copenhagen	C	20	68	Luxembourg	F	22	72								
Corfu	S	24	75	Madrid	C	22	72								
Dallas	F	24	75	Majorca	C	24	75								
Dublin	C	15	59	Malaga	C	22	72								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev party proposal

Continued from Page 1

speech, although it was reported to have been circulated among close advisers.

Unlike all major set-piece events of the ruling party in recent years, the result of this week's conference is still uncertain. Mr Gorbachev must expect to win a resounding endorsement from the delegates, however conservative they may be, but several major issues remain unresolved.

Chief among these is the simmering nationalist unrest affecting not only the transcaucasian republics of Armenia and Azerbaijan, but also the independently-minded Baltic republics of Estonia, Lithuania and Latvia.

There was official confirmation yesterday that the general strike in the Armenian-populated enclave of Nagorno-Karabakh has not yet been entirely abandoned, despite such reports from Communist officials in the area.

The nationalist demands have caused considerable concern in Moscow, and supporters of Mr Gorbachev fear they could yet precipitate a conservative, Russian-led hacklash within the party, which might hlock the rest of the reform programme.

THE LEX COLUMN

Reaching for the brake

Yesterday's authentically lousy trade figures make it the more likely that base rates will move today, and the harder to predict by how much. The market is now settling into the gloomy conviction that the trade deficit could reach £10bn this year – 2¼ per cent of GDP – compared with £1.75bn last year and equilibrium the year before. It also seems increasingly clear – with hindsight, to be sure – that the Chancellor got his demand management wrong by giving away too much in the Budget and then sticking with low interest rates for too long.

In choosing between 9.5 per cent and 10 per cent, the authorities would doubtless prefer to leapfrog the market rather than give the impression of trailing behind it. Since the money market is discounting 10 per cent already, that option is scarcely available. But with sterling below DM3.10 and only a whisker over $1.70, tinkering with a half point rise now seems to invite the risk of being pushed to 11 per cent sooner rather than later.

The equity market's problem in all this comes in the threat to UK growth a year or so out. The price of reducing the trade deficit is high base rates and – presumably – no tax cuts in the next Budget. The City's economists are nervously calculating that making any significant dent in the deficit might entail a percentage point or so off the growth rate. But then, an economy hit by an investment and consumer boom at a time of capacity constraints – a combination, that is, of overheating and misaligned resources – has no other way to go.likely that base rates will move today, and the harder to predict by how much. The market is now settling into the gloomy conviction that the trade deficit could reach £10bn this year – 2¼ per cent of GDP – compared with £1.75bn last year and equilibrium the year before. It also seems increasingly clear – with hindsight, to be sure – that the Chancellor got his demand management wrong by giving away too much in the Budget and then sticking with low interest rates for too long.

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S.G.Warburg

Warburg may well be emerging as the one clear winner in the post-Big Bang environment. But the group's preference for hiding behind its mystique, rather than stooping to disclose sensible information about its affairs, means that any judgement about the success of its long-term strategy remains dependent on such subjective criteria as hearsay, or whether or not you like the cut of the chairman's jib. Admittedly, a 13 per cent rise in full year pre-tax profits, to £111.1m, looks impressive by contrast with the likes of Kleinwort Benson, BZW, and County NatWest, especially when it is remembered that they only had one dull quarter to contend with and two out of the three still reported full year losses.

If allowance is made for the £8m after-tax loss on the BP underwriting, the second half slump in merchant banking profits looks nowhere near as bad, and unchanged second half profits from Mercury Asset Management were surprisingly strong given that they covered the period of the crash. However, Warburg did have £200m of extra capital to play with, and little is known about the success of the group's heavy investment in the securities business apart from the healthy rise in the headcount in New York and Tokyo. Meanwhile, the complaints about competitors who are prepared to take heavy losses in order to buy market share sound depressingly familiar, and the 10 per cent drop in earnings per share – which is unlikely to be recouped this year – is a reminder that it may not be prudent to repeat the 15 per cent rise in the dividend next time.

Trusthouse Forte

The vitriol directed against the Savoy management yesterday by the Trusthouse Forte chief executive, Mr Rocco Forte, will no doubt guarantee the company a place in the headlines without it would not have merited on profits performance alone. But the battle for the high moral ground on the issue of Savoy directors' salary and perks – not to mention the larger issue of accountability to shareholders – is largely irrelevant to Trusthouse Forte's prospects on anything but a longer term view.

THF is certainly not going to bid for the Savoy with the shares at their current stratospheric levels – and would not get it if it did, as more than half the shares vote with the incumbent management. And pursuing the possibility of a more normal bid through the courts will probably take a couple of years. So for the moment, the THF management can afford to be long on rhetoric and short on details in the matter of how exactly it would transform the Savoy's profitability.

Certainly, the performance of THF's existing hotels in the half year reported yesterday suggests that the company knows how these things are done. THF has managed to make good the numbers of missing American guests at its UK hotels (perhaps 20 to 25 per cent fewer than last year) with continental Europeans and Japanese. And although filling beds is not all there is to it – the latter two groups spend less on food and other delights than their American counterparts – this year should still be a good one for THF in the UK, especially with catering turning in ever stronger profits. With Sir Ian MacGregor already despatched to look into the troubled US hotels operation, THF's current 30 per cent premium rating is probably no more than it deserves.

Eurobonds

The news that the UK taxman plans to close the Dutch Antilles loophole for Eurobonds caused soma confusion yesterday, mainly because no-one was sure how many bond issues would be involved. The change as mooted would affect issues routed direct to the Antilles since 1984, but apparently not those passed through Dutch subsidiaries; early guesses are that the total would be a couple of dozen at most, accounting for less than a half per cent of the Eurobond market by value. The practical effect of such a change would probably be to benefit borrowers at lenders' expense. At the extreme, a bond issued in August 1984 might carry a coupon of 13 per cent; the requirement to make good UK withholding tax at 25 per cent would mean that the issuer would now have to gross the payment up to an effective 17.3 per cent. But since such a bond would pretty certainly have a clause allowing the borrower to redeem at par in the event of a change in the tax regime, the borrower would be more than happy to take the opportunity of refinancing at today's rates of not much over 10 per cent. Any aggrieved borrower should recall that this, after all, is what small print is there for.

FINANCIAL TIMES
Tuesday June 28 1988

California utility to take $500m N-plant charge

BY RODERICK ORAM IN NEW YORK

PACIFIC GAS & Electric, a leading California utility, is to take a $500m after-tax charge – which will virtually eliminate 1988 earnings – to settle a long-running dispute with state regulators over recovery of the $5.5bn cost of building its Diablo Canyon nuclear power plants.

Reflecting its weaker performance, the San Francisco-based company will also cut its quarterly dividend to 35 cents a share from 48 cents. The reduction in payout, the first in 55 years, was somewhat less severe than some analysts had expected. Its shares fell $¼ to $15⅞ in early trading yesterday.

Mr Richard Clarke, chairman of the utility, said the settlement "establishes how PG&E will be compensated for our investment." The company, which earned net profits of $1.1bn on revenues of $7.19bn in 1987, was already expecting sharply lower profits this year.

In a compromise agreement with state utility regulators and the California attorney general, PG&E will be unable to recover from its customers $2bn of the costs of the twin power plants. Located half-way between San Francisco and Los Angeles, they came on stream in May 1985, and March 1986 respectively.

Originally, the California Public Utilities Commission's division of ratepayers advocates' recommended that $4.4bn of costs be excluded from PG&E's rate base.

As a result of the settlement, PG&E will charge 25 per cent less for Diablo Canyon's power than it would if it had been allowed to recover its full costs. Overall, its customers will face only a 5 per cent rise in their electricity bills.

The utility's revenues from Diablo Canyon will depend on the power plants' performance, a move which regulators said was highly innovative. PG&E will be rewarded for reducing the cost of electricity generation at the plants, which are rated among the most efficient nuclear power plants in the US.

Meanwhile Public Service of New Hampshire confirmed yesterday it had held preliminary talks with the state of New Hampshire about abandoning the Seabrook nuclear generating station. The plant was completed in 1986 but the consortium of New England utilities which owns it has so far failed to get an operating licence.

PSNH, which has the largest stake in the project, was forced to seek Chapter 11 bankruptcy court protection earlier this year because of the financial strains of Seabrook. A precedent for abandoning a nuclear plant was established recently in an agreement between Long Island Lighting and the state of New York.

Corning Glass up by 54%

BY RODERICK ORAM IN NEW YORK

CORNING GLASS Works, the leading US maker of optical fibres and other products from glass and inorganic materials, has reported a sharp rise in second quarter profits.

Net profits for the 12 weeks ended June 19 rose 54 per cent to a record $82m or $1.82 a share, from $53.3m or $1.15 a year earlier. The latest results included a $30m pre-tax or $19.8m after-tax gain from the sale of shares in International Clinical Laboratories.

Corning was beaten by SmithKline Beckman in a bidding contest for the medical testing service earlier this year.

RECORD MORGAN STANLEY LBO FOR US PAPER PRODUCTS GROUP

Fort Howard in $3.57bn buy-out

BY JAMES BUCHAN IN NEW YORK

FORT HOWARD, the US paper company and supplier of disposable towels, plates and cups to restaurants and businesses, said yesterday it had agreed to sell its business for $3.57bn to a management group backed by Morgan Stanley, the Wall Street investment firm.

The deal is a coup for Morgan which has moved strongly into the leveraged buy-out business. It controls the largest pool of capital available for such deals after Kohlberg Kravis Roberts, the pioneering buy-out partnership.

The deal was overshadowed by yesterday's shock announcement that the Securities & Exchange Commission had filed insider trading charges against an analyst at Morgan Stanley.

Under yesterday's deal, a group of institutional investors assembled by Morgan Stanley, the investment bank itself and Fort Howard's management, under Mr Paul Schierl, chairman, will offer $53 a share for the company.

The deal will be financed by a bridge loan and $1.53bn equity put up by Morgan Stanley, its institutional investors and management and by $2.55bn in bank loans arranged by Bankers' Trust. The bridge loan will be refinanced through the public or private sale of junk bonds.

Fort Howard, based in Green Bay, Wisconsin, said its outside directors unanimously recommended the Morgan Stanley offer, but they remained open to other offers. Fort Howard's stock gained $3¾ yesterday morning to $53¾ in response to the announcement.

The deal follows a week of speculation that management at the successful paper group was frustrated at the company's low price in the stock market and was seeking to take the company private.

Fort Howard, which employes 16,000 people making paper tissues, towels, napkins, cups, plates and straws, has relatively high profit margins because it uses recycled paper rather than more expensive pulp. The company, which has raised earnings in an almost unbroken series since the early 1970s, reported net income of $157m last year on sales of $1.76bn.

The deal promises to be the largest leveraged buy-out (LBO) for Morgan Stanley, which last year raised $1.6bn in equity funds from institutional investors such as pension funds after a round of successful LBOs, including the $2.07bn deal to take Burlington Industries private last summer.

"We believe Fort Howard has excellent prospects," said Mr Tom Saunders, chairman of the equity fund, known as the Morgan Stanley Leveraged Equity Fund II.

Bid for Systems Integrators

BY LOUISE KEHOE IN SAN FRANCISCO

THE chairman of Systems Integrators, the US supplier of computer systems to newspapers, yesterday announced a bid to take the company private. Mr James Lennane, who holds 48 per cent of the stock, has offered $7.25 per share for the remaining shares, or about $47m.

The move follows System Integrators' recent announcement of plans to revamp its product line, moving to industry standard personal computer terminals and standard software.

The company's shares were trading at $5⅞ before the announcement.

York International plans to go private in $750m deal

BY OUR FINANCIAL STAFF

YORK INTERNATIONAL, a leading US producer of air conditioning and refrigeration equipment, is going private in a buyout worth $750m or $57.50 a share, just over two years after being spun off from Borg-Warner as an independent publicly-quoted company.

Under a definitive agreement, York Holdings, a new company capitalised by Citicorp Capital Investors and other investors, will purchase York's shares and intends to offer equity participation to members of York International's management.

The deal appears to be another coup for Mr Stanley Hiller, the mercurial US corporate turnround specialist who master-minded the spin-off in April 1986 of York International from Borg-Warner, which has itself since gone private.

York had revenues of $680m in 1986 and net profits of $8.22m. It will begin a tender offer on July 1 for 9.1m York International shares, representing about 87.8 per cent of the outstanding shares.

Under terms of the original spin-off, Mr Hiller and his associates had the right to acquire shares, warrants, options and debentures representing about 20 per cent of the company on a fully-diluted basis.

AM to sell Harris unit

BY ANDREW BAXTER

AM International, the Chicago-based office equipment group, has reached preliminary agreement to sell a large part of its Harris Graphics division to Komori Printing Machinery of Japan for more than $250m in cash, shares and assumption of debt.

Komori, one of the world's largest makers of offset printing systems and dominates the Japanese money printing equipment market, is to buy the Harris web press group, which has annual revenues of $350m.

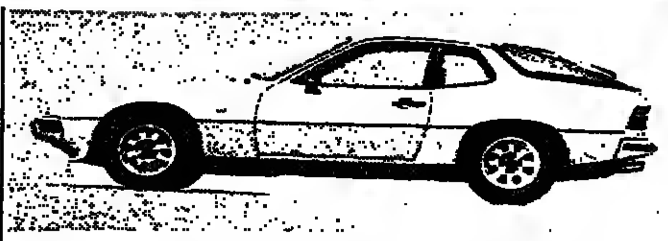
AM retains the right to continue to discuss a proposed sale with other interested parties during the period in which the two companies work towards a definitive agreement.

Optimism at Beghin-Say

BEGHIN-SAY, France's largest sugar producer, should double its consolidated turnover in 1988 because of a plan by Gruppo Ferruzzi, its parent, to centralise its agri-business activities around the French group, Mr Jean-Marc Vernes, its chairman said yesterday, Reuter reports from Paris.

Mr Varnes told the group's annual general meeting that the company should achieve a consolidated turnover of slightly more than FFr30bn, against FFr15.5bn in 1987.

"This should enable us to reach our goal and become one of Europe's leading agri-business groups." Beghin-Say, which is 56 per cent controlled by Mr Raul Gardini's Italian conglomerate Ferruzzi, said in January that it had decided to centralise its agri-business activities within Beghin.



US sales slide forces Porsche to abandon output of 924 model

BY HAIG SIMONIAN AND KEVIN DONE

PORSCHE, the West German luxury sports car company which has been hit by a slump in sales, particularly in the US, is dropping its cheapest four-cylinder 924 model produced under contract by Audi in Neckarsulm in southern Germany.

Meanwhile, Porsche and Volkswagen, Audi's parent company, have agreed to extend by one year their production contract which was due to expire at the end of 1989.

The decision to drop the 924 means Audi will have to reallocate up to 1,000 workers at its Neckarsulm plant.

The company had already envisaged 1,000 job cuts at each of its two plants in Neckarsulm and Ingolstadt but the loss of the 924 means it will not be possible to reduce the Neckarsulm workforce by natural wastage alone, it says.

Demand for the bottom of the range 924 has dropped sharply in the US, Porsche's most important market, with sales of only 805 units in the first five months of 1988 compared with 1,175 in the corresponding period a year ago.

Porsche is being forced to retreat up market, as its competitors, particularly Japanese carmakers, attack the lower end of its market in the US and Europe.

Between January and May this year the Neckarsulm works produced some 430 Porsche 924s - almost three times fewer than in the same period last year.

In January, Porsche production workers at Neckarsulm were put on short time to help bring US stocks into line with demand.

As of this week, Porsche production has been reduced to one shift a day until the end of the year so output will fall to 60 cars a day, against a notional daily ceiling of about 150 cars.

However, no short-time working is at present envisaged under the one-shift system, according to Audi, although both it and Porsche are clearly leaving their options open.

In contrast to US sales domestic sales have recovered somewhat.

Under pressure from the weakness of the dollar, Porsche net profits fell by 31 per cent to DM52m ($29m) in the year ended July 1987, forcing the company to cut its dividend. In 1985 profits totalled DM120m.

Sales for 1988 had continued to decline, the company said in its March half-year report, although it stressed that it hoped to remain in profit for 1987-88.

From 1991 Porsche will build its four cylinder models at its own plant in Zuffenhausen.

The extension of its contract with Audi is to give it time to transfer production to its plant on the outskirts of Stuttgart.

When the 924 is dropped in August Audi's Neckarsulm plant will continue the assembly of the wider-bodied 944, 944S and the 944 Turbo models until the end of 1990.

• Porsche is holding talks with Lotus, the UK subsidiary of General Motors of the US, on developing a new Formula 1 engine, the company said yesterday.

Club Med hit by weak dollar

By Our Financial Staff

CLUB MEDITERRANEE, the French international leisure group, yesterday became the latest corporate victim of the weakness of the dollar.

The company, best known for its upmarket holidays in purpose-built villages, expects net profits for the first half of this year to show a decline of more than a fifth.

It said yesterday that net income for the six months ending in April 1988 would decline by 21 per cent to FFr75.5m ($12.3m) from FFr95.3m in the same period a year ago. For the whole of last year, Club Med's net profits totalled FFr298m on turnover of FFr6.2bn.

The company linked the reverse primarily to the weak tone of the dollar, which averaged FFr5.68 in the first half compared with FFr6.25 in 1987. As a result of this sort of adverse currency movement, revenue for the six months was barely maintained at FFr2.7bn.

Club Med also noted that its depreciation allowances during the six months rose

Belgium approves anti-raider rules

BY TIM DICKSON IN BRUSSELS

"ANTI-RAIDER" legislation could be in place in Belgium by early August following the Cabinet's decision to approve new plans drawn up by Mr Willy Claes, Minister for Economic Affairs, and Mr Philippe Maystadt, Finance Minister.

The matter, which has attracted the personal attention of Mr Wilfried Martens, the Prime Minister, has been a preoccupation in Belgium following the dramatic battle this year for control of Société Générale de Belgique, the country's leading holding company.

Under the proposals, shareholders will have to declare a stake of 5 per cent or more in publicly quoted companies with an "own capital" of more than BFr250m (US$6.6m) while further notifications will be necessary with each acquisition of an additional 5 per cent. The declaration (at the latest on the second day after the purchase) will not only have to be made to the company in question, but also to the Belgian Banking Commission, the quasi-Government authority which oversees stock market activity. Companies themselves will have to make a public announcement the day after they are informed.

Under certain circumstances, according to a communiqué from the Ministry of Economic Affairs, the Banking Commission could make an exception to the new rules if disclosure would "gravely prejudice" the company in question.

The draft law is essentially a compromise between those in Belgium who believe that more protection is needed, and those who believe that it already goes too far. The matter took on new urgency after Mr Carlo De Benedetti had managed unnoticed to build up an 18.6 per cent stake in Société Générale – the springboard for his ultimately unsuccessful bid – but as Mr Sebastian Scotney of London-based investment bankers Dillon Read said: "The original impetus was the *Royale Belge affair in 1987.*"

Mr Scotney believes that to the extent that the new law will limit speculative buying, it will have a mildly bearish effect on the Belgian stock market. "On the other hand, as companies feel threatened by raiders we would hope they would become more confident about broadcasting their prospects and real value."

Daimler closer to MBB stake

BY OUR FINANCIAL STAFF

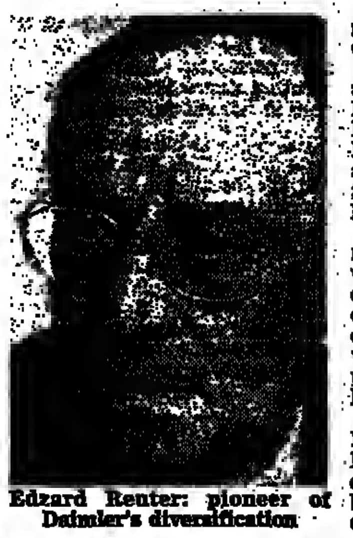
DAIMLER-BENZ is a step closer to taking a stake in Messerschmitt-Boelkow-Blohm (MBB), the aerospace group, following government agreement to preconditions requested by Daimler, the company said yesterday.

The company said: "An offer from the Government is on the table so we can now enter into detailed discussions." It added that no final decisions had yet been taken.

Daimler, West Germany's leading industrial company, was commenting on media reports which suggested that the Government would underwrite until at least 1994 the financial risks to MBB arising from the production of Airbus.

The Government guarantee over MBB's Airbus risks also meant that the weekend crash of an A320 Airbus in France had no effect on Daimler's position on the MBB stake, the company said.

Daimler has been widely seen as a likely partner for MBB for more than 12 months but the company has insisted that it would only enter an agreement with MBB if any link could be isolated from the company's grants to Airbus or with its debts.



Edzard Reuter: pioneer of Daimler's diversification

Bonn has been seeking a strong industrial partner for MBB but the question of the loss-making Deutsche Airbus, an MBB subsidiary, has always been a problem. Deutsche Airbus is the West German arm of the European Airbus consortium.

Mr Edzard Reuter, Daimler's management board chairman who has pioneered Daimler's diversification into aerospace and electronics to complement its core activity of motor production, will give a statement on the company's plans with MBB at Daimler's annual meeting on Friday.

According to press reports, MBB's Airbus activities would be hived off into a new company called Airbus AG, jointly owned by MBB and the state-run Loan Corporation for Reconstruction.

The states of Bremen, Hamburg and Bavaria together own 52 per cent of MBB, while small stakes are held by Allianz, Siemens and Robert Bosch.

Euroc in talks over Dynapac

By Sara Webb in Stockholm

EUROC, the Swedish building materials, engineering and trading group, is negotiating the sale of Dynapac, its once-troubled building equipment subsidiary which has recently been put back on its feet. The potential buyer is Componenta, a Swedish heavy engineering group.

Analysts put a price tag of at least SKr400m ($64.5m) on the deal, but Euroc said it would not release financial details before Wednesday when the deal was expected to be finalised.

Dynapac, which accounts for 20 per cent of Euroc's turnover, produces and markets heavy and light compaction equipment, asphalt finishers and concrete finishing equipment used, for example, in the construction of roads, dams and airfields.

The division faced problems in the early 1980s when its markets declined but has been restructured and is expected to show a profit for 1988 after heavy losses in 1985 and 1986.

Componenta agreed in 1986 to take an option to acquire all or part of Dynapac, and put in new management to help with the restructuring.

Dynapac reduced its loss to SKr4m in 1987 and analysts are predicting a return to a profit of more than SKr25m this year. Sales totalled SKr1.38bn in 1987 with 93 per cent of sales outside Sweden.

Dynapac claims to have a 15 per cent share of the market worldwide, with a 20 per cent market share in Europe, 15 per cent in the US and about 10 per cent in Japan. Its main competitor in Europe is Bomag of West Germany.

Euroc said that its strategy was to strengthen its position in the building materials sector. The disposal of Dynapac would help provide funds for further acquisitions in this area.

The group has made several strategic acquisitions in recent months including De Boo, a Dutch building material wholesaler.

Henkel expects sales to increase by 7%

HENKEL, the West German chemicals group best known for its range of washing powders, expects sales to rise by 7 per cent to around DM10bn (US$5.5bn) for 1988 following a 12 per cent improvement over the first six months, writes our financial staff.

The company, which also expects a good increase in profits for this year, plans to hold its dividend for 1987 at DM5 a share on increased capital.

France-Quick to buy Freetime

BY GEORGE GRAHAM IN PARIS

FRANCE-QUICK, the leading French hamburger chain with 80 restaurants, is to take a majority stake in Freetime, number three in the sector with 45 restaurants.

The deal puts the squeeze on McDonald's. The Big Mac may be number one worldwide, but in France's slightly shamefaced love affair with the hamburger, it is pushed into second place.

The struggle for market position is intense. The aim of the Quick-Freetime association is to sew up the market with an all-purpose family hamburger at one end and a switched-on youth hamburger at the other. The Big Mac, so the theory goes, ends up sandwiched in the middle, never the most comfortable position for a hamburger.

And making money is not easy, with prime town centre sites for restaurants changing hands at exaggerated prices and the clientele growing more slowly than the number of restaurants.

France-Quick, which is to take a majority stake in Freetime, is a joint subsidiary of the French supermarket chain Casino and the Belgian retailing group GB-Inno. It will take 51 per cent of Freetime, including the 27 restaurants which are directly owned, alongside 18 franchises.

Quick, which had already swallowed the O'Kitch chain in 1986, does not for the moment intend to merge the two brands.

At the same time, the French hotel group Accor will increase its stake in Freetime from 25 per cent to 31 per cent, and is expected to collaborate in developing Freetime and Quick franchise restaurants.

Socopa, the foods group, will cut its stake from 50 per cent to 15 per cent but will continue to supply the meat for the restaurants, while Eurocom will cut its share from 25 per cent to 3 per cent.

The hamburger has not yet achieved universal acceptance in France, being caught between the "steak-frites" on one side and the gastronomic snob on the other. But the French at least seem to have produced a domestic operation capable of heading off the all-embracing McDonald's and Burger King.

Allflex buys Dallas group

By Dai Hayward in Wellington

ALLFLEX, a New Zealand company which has grown through the development of a simple, easy-to-apply, plastic eartag for animals, has bought the Dallas-based Industrial Thermoform.

The move, which will strengthen Allflex in the US, will allow the absorption of its manufacturing plant previously located in New York state.

The New Zealand group also has a trading subsidiary called Vet Brand in the US, but with the acquisition can now distribute its animal products directly.

Industrial Thermoform has been manufacturing injection moulding products since 1972.

Swiss investors claim insider trading victory

BY OUR FINANCIAL STAFF

A SWISS investors' group claimed yesterday to have won a High Court decision that prevents the country's new insider trading law from taking effect as planned this Friday.

The Swiss Investors' Protection Association said the preliminary injunction issued by Switzerland's highest court last week gives opponents of the law time to muster support at the cantonal level to force a public vote on the measure.

The group said it had argued that the law's referendum period was improperly observed. The High Court declined to comment and Justice Ministry officials could not be reached.

The association said: "We expect to muster enough cantonal decisions to force this to be brought before the public. This will not stand a chance before the public."

Eight cantons must support a vote on the matter in order to require a public referendum, it said. The law, passed by parliament last December, was forced on Switzerland by pressure from the US and it violated the Swiss tradition of privacy in financial matters.

INTL. COMPANIES AND FINANCE

Andrew Whitley on implications of an Israeli group's recovery plan

Koor sets the pace for change

AN INTERNAL revolntion is underway at Koor, the leading Israeli industrial conglomerate. The former emphasis on production is giving way to an unusual, for Israel, stress on marketing and managers are, for the first time, being made responsible for their decisions.

The fortunes of the recovery plan initiated by Mr Benjamin Gaon, recently drafted in as chief-executive with the task of saving the labour federation-owned company, carry pertinent lessons for the whole of Israel's shaky industrial sector, which is slowly adapting to the post-hyperinflation era.

Whether the new team at Koor meets its goal of putting the troubled gronp back in the black within two years is also likely to determina the long-term fate of its parent, Hevrat Ha'Ovdim, a sprawling hnsiness empire responsibla for a quarter of national output.

The only genuinely profitable component of Hevrat Ha'Ovdim today is Bank Hapoalim, the largest Israeli bank. But its largest account, in turn, is with Koor. So, if Koor fails the entire structure could be endangered.

Mr Gaon, a 52-year-old marketing man who has spent almost his entire career witb Hevrat Ha'Ovdim, is under no illusions about the size of the task he took on in April when be replaced Mr Yesbayabn Gavisb, Koor's long-standing president.

Most of the group's traditional cash cows are losing monay heavily, and overmanning remains a serious problem in spite of the shedding of more than 4,000 jobs out of 35,000 over the past year. The immediate task is to cut this year's anticipated losses by $100m, a target which appears manageable based on preliminary estimates showing that the red ink for the first six months of the year will dry up at about the $45m mark.

Factory closures and disposals, accompanied by mass lay-offs, are already well advanced. But how much further the Koor boss will be able to go in the coming months, as an unusually crucial national election approaches, will be interesting to watch – providing an acid test of the Histadrut labour federation's willingness to give its own industrialists their head.

Israel is more sensitive than most Western countries to unemployment and the last thing the moguls of the Histadrut – a bastion of the Labour Party fighting to regain its traditional political supremacy – want over the coming months is television scenes of rioting redundant workers.

The current furore in Israel over the future of the Alliance tyre factory, a Koor subsidiary placed in receivership last month by Mr Gaon, could be a foretaste of things to come later this summer.

It was the first time that a Histadrut enterprise had been subjected to this indignity, and the employees' reaction has been predictably violent.

But this is a battle which the new executive team cannot afford to lose. "It's a question of management control," Mr Gaon argues. For Hevrat Ha'Ovdim – literally The Workers' Company – the statement speaks volumes about slowly changing attitudes towards employment and profitability.

Insisting that for his recovery programme he has the backing of Mr Yisrael Kessar, the Histadrut's veteran secretary-general, Mr Gaon says the moment of truth has arrived for the 65-year-old socialist organisation. "If I can't afford it, I can't do it," has to be its new creed.

For the traditional behemoth – twice as big as its nearest other rival among Israeli companies and responsible on its own for 12 per cent of the country'a industrial output – the changes at Koor over the past two months have been breathtaking.

More than half the top managers Mr Gaon inherited have already gone, and further heads are expected to roll. Those who have been brought in are "people who don't owe favours to anyone," he notes.

An internal reorganisation of what the new chief disparagingly describes as "a total mishmasb" of 450 companies has streamlined the group into new functional divisions. More important, the process of decentralisation, changing Koor Industries Ltd into a true holding company, is underway.

A key to this transformation is the disposal of assets, reducing the holding company's interest to a minority stake where necessary. "As long as it's a good business (deal), I don't care if wa have control," Mr Gaon says.

But he is realistic enough to know thet he will not find his songht-after foraign buyers unless ha first puts his wares back into soond shape. Hence his recent decision to take Tadiran, an important defence and consumer electronics company, back off the hlock until it returns to profitability.

Within the new set-up, a product re-orientation is being implemented. Food and consumer prodncts will be beavily promoted, electronics and other high-tech goods are being maintained at roughly their present level, while the loss-making metals, machine tools and construction sectors are to be phased out. Foreign partners which can provide capital and markets are being sought.

Koor is currently interested in finding either a UK or Dutch partner for the Israeli company's establisbed, bnt lacklustre, black-African markets. A meeting witb Lonrho executives has already been arranged for this week to discuss possible areas of co-operation with Koortrade, an international trading snbsidiary anxious to develop its third-country activities.

Mr Gaon – a graduate of the Geneva-based International Management Institute who ran Koortrade's activities in Europe and Egypt before taking over Israel's leading food retail chain, another Hevrat Ha'Ovdim unit – expresses impatience with the management attitudes which used to prevail at Koor.

"It's an Israeli phenomenon to put off decisions, to decide not to decide," be comments, adding that speedy decision-making is one of the new virtues he is trying to instil.

Pulling out charts showing the rapid turnround achiaved at other classic big-money losers in the business world, the Koor boss says there is no reason why the same transformation cannot not be achieved in Israel.

The difference is that in this Herculean task Mr Gaon is taking on not just a company but a national milieu which remains to be convinced that profits should come before jobs.

REDUNDANCIES PUSH LOSS TO $253m

KOOR INDUSTRIES yesterday declared a 1987 loss equivalent to $253m – more than double the previons record deficit for any Israeli company. The plunge into the red comes after a tiny profit of $4m the previous year on a virtually unchanged turnover of Shk4.2bn ($2.73bn at the end-year exchange rate).

In a scathing attack on the management team in place to last April, Mr Bejamin Gaon, the newly appointed chief-executive, said Koor had been "an aircraft flying at night with no speedometer or fuel gauge, and in need of a good pilot."

Apart from poor management, he blamed the difficulties on bad industrial relations, a decline in world military markets and the near freeze in the valne of the shekel against the US dollar.

About Shk100m of last year's loss was attributed to redundancy costs resulting from factory closures and the dismissal of 4,000 employees. However, financing costs were only a third of those recorded in 1986.

Indicating the scale of the task ahead of him, Mr Gaon said that out of the group's hundreds of factories "one can count on the fingers of two hands those which are making a profit." Ha forecast, however, that this year's loss would be reduced to under $100m.

Taiwan bank moves opposed

BY BOB KING IN TAIPEI

FIVE OF Taiwan's leading banks have applied for government approval to set up branches overseas, but have run into opposition from the finance ministry over proposed locations.

The banks, all government-owned institutions, hope to widen business contacts as more Taiwanese companies and funds move overseas. They also plan to expand their scope to include international banking.

Bankers have targeted centres such as London, New York and Los Angeles. But officials of both the finance ministry and the central bank oppose concentration in these cities. They believe the banks should avoid competing head on with international banks and – possibly for political reasons – stress serving so-called "overseas Chinese" clients in a variety of secondary locations.

The move by the five – the Bank of Communications, Changhua Bank, Hua Nan Bank, First Commercial Bank, and United Overseas Chinese Bank – underscores a tussle between conservative finance officials and progressively minded bankers over the pace and scope of financial liberalisation in Taiwan.

This disagreement, in turn, mirrors a larger debate as Taiwan strives to implement across-the-board social and political reforms after decades of stringent controls.

Bankers argue that excessive competition need not be a concern, as the leading money centres offer adequate business.

In any event, they say, it is a matter for the banks and not the bureaucrats to decide. They add that other locations the Government is proposing, such as Houston, Texas, cannot be justified from an economic viewpoint.

Most of Taiwan's bankers also believe the time has come for the banks to be placed in private-sector hands, a view that worries political conservatives. Nevertheless, a finance ministry proposal aimed at privatisation for the banks is currently under review.

Poseidon in bid for Anglo unit

By Our Financial Staff

POSEIDON, THE Australian resources group, is making a A$66.6m (US$54.9m) bid for Anglo American Pacific, the local gold exploration arm of the Sontb African mining house.

The Anglo parent, which retained about 60 per cent of the company after a flotation last year, made no immediate response yesterday. However, it had planned at some stage to reduce its holding to below a majority.

Poseidon's paper offer, in the form of two of its own shares for every nine beld, is conditional on a minimum 51 per cent acceptance.

Anglo American's exploration record in Australia, where lt bas operated for two decades, has been poor. Last year, though, it won the rights to treat the long accumulated dross of Western Anstralia's Golden Mile, abont 50m tonnes of soil in tailings dumps.

Poseidon said the start of this project next year meant Anglo would be a significant gold producer as well as having prospective gold properties.

Shares in the target rose 3 cents to 46 cents. Those in Poseidon dipped 1 cent to A$2.44, valning the bid at about 54 cents a share.

Singapore bottler plans rights issue

FRASER AND NEAVE, the Singapore beverage group, is to raise S$151.2m (US$74.3m) throngh a two-for-five rights issue to support futnre expansion, Our Financial Staff writes.

The new shares are priced at S$3, representing a deep discount to the S$9.10 market close yesterday. A rise of 20 cents reflected news of this and a 15 per cent increase in interim net profits to S$22.9m.

Sales were up 16 per cent to S$447m.

Earnings excluded extraordinary gains of S$45m from the sale of investments, up from S$4.1m.

ERN to mount all-paper offer for Crown Corp

BY OUR FINANCIAL STAFF

ELDERS Resources NZFP (ERN), the newly merged Australasian rural industries group, plans an all-paper takeover bid for Crown Corporation, a troubled New Zealand foods supplier.

It said that for every four Crown ordinary shares it would offer one ERN option convertible before April 1991 at NZ$4.25. Differing offers are being made for other classes of Crown equity.

Crown has been attempting to recover from a disastrons involvement with Rada Corporation, a local investment company, which cost lt abont NZ$100m (US$70.9m). Rada was an associate of NZ Forest Products and is being absorbed into the enlarged group.

In February, Crown sold its half share in Weddel Crown, New Zealand's second biggest meat group, to Union International, part of Lord Vestey's UK-based empire. It retains a meat exporting business and Richter, a North American specialty foods distributor.

Saudis improvise on funding theme

Finn Barre on the central bank's use of a novel debt instrument

BORROWING CAN be a tricky business, especially for those as out of practice as the Saudi Arabian Monetary Agency (Sama), the kingdom's central bank.

It has been more than 20 years since the country has had to raise funds. But it found itself facing two necessities, which called forth a rather strange invention.

Firstly, the kingdom needed to find SR30bn ($8bn) at a time of low oil revenues to help fund a projected $10bn deficit in its SR141.2bn budget. Secondly, it had to avoid the problem of interest, the paying or acceptance of which is forbidden under Islamic Sharia law.

This led Sama to invent a peculiar debt instrument that it calls a development bond. These pay investors through what is described as cash flow from, so far, unspecified projects; meaning that the return on the bonds is able to be treated not as interest but as shared profit.

Bankers are confused over exactly what yields might be expected

However, it is unclear whether the formula will go all the way towards satisfying the kingdom's powerful religious conservatives. And bankers are confused about what exactly the bonds are supposed to be and what yields might be expected.

One banker comments dryly: "Well, because of Islam we know nobody pays interest around here. That is why the Government came up with the bonds and its concept of projects and 'cash flow'."

Another adds: "They had to figure out some way around the problem."

In bringing the bonds to the domestic market, Sama used as guinea-pigs the state-owned Civil Service Pension Fund and the General Organisation for Social Insurance (Gosi). These were considered as best positioned to absorb an initial placement, which Sama made without disclosing the size.

Gosi, in particular, has money to spare. By far the majority of its funds has been collected from expatriate workers in the kingdom. The Government ended foreigners' participation in Gosi last year but has yet to provide promised refunds to most of these participants.

Although these funds could sustain a large amount of borrowing, Sama preferred to place as much on the commercial institutional markets as possible.

The bank does not want to rely on borrowing from the government organisations and the kingdom's private sector is awash with excess liquidity. Bonds offer Sama a chance to soak up some of this and provide it with its first effective tool for adjusting the money supply.

Sama thus went on to offer SR1.5bn of the bonds to the kingdom's commercial banks on June 11, when the development bond formula was first unveiled.

Information provided by Sama on the project-based cash flow gives differing yields, depending on how banks calculate it.

The generally accepted yields for the five different maturities are: 8.25 per cent for one year, 8.5 per cent for two years, 8.63 per cent for three years, 8.75 per cent for four years, and 9 per cent for five years.

The reaction to the first offering has generally been good although the issue was somewhat undersubscribed. Bankers say yields need to be improved.

The three-year and longer rates are competitive but, with no secondary market, bankers are wary. Interest rates around the world are under upward pressure, making the terms less attractive.

Sama will probably offer better rates in the future and it is also trying to establish a secondary market to make the bonds more liquid.

The agency is preparing a list of financial institutions that will be permitted to buy the bonds, which might include the Arabian American Oil Company (Aramco) pension fund and some government credit agencies, such as the Public Investment Fund.

The only buyers now permitted for the bonds after issue are Gosi and the pension funds – which have plenty – and other local banks. Extending the market will increase the opportunity for profit.

This might make bankers more enthusiastic about taking the bonds, although one senior banker stresses that Sama has not bullied banks into complying.

Bankers say the development of the instruments will be similar to that for the Bankers Secured Deposit Accounts (BSDAs) which Sama first offered several years ago.

The BSDAs were supposed to attract offshore riyals, but when they were first offered the rates were uncompetitive and the notes could not be traded.

Now the BSDAs are considered reasonable bank investments as Sama offers competitive rates and has changed rules on buying and selling them.

The outlook for the bonds is a series of gradual Sama adjustments

Because of this, the outlook for the bonds is a series of gradual Sama adjustments made as the fortnightly offerings continue. Sama is also thought likely to adjust rates of return that provide yields more closely linked to those of US Treasury bonds.

"Sama is doing all right," a banker says. "It has just got to get the bugs worked out.

"I think we'll see better rates and they'll have to get some sort of secondary market developed."

Japan nears settlement on primary bond issue

By Stefan Wagstyl in Tokyo

FOREIGN COMPANIES' share of the primary market in Japanese long-term government bonds could soon be greatly increased in a move which would settle one of the biggest outstanding issues in US-Japanese financial relations.

Coming in the wake of last week's settlement of a long-running dispute on agricultural trade, a settlement would provide further evidence of the willingness of both countries to stop arguing over specific differences in commercial affairs for the sake of better overall relations.

Foreign financial companies, chiefly US securities houses, have long pressed for an increased share of underwriting Japanese government bonds. The matter was brought to a head in April by Mr David Mulford, assistant US Treasury Secretary, in talks with Japanese officials. Japan then promised to increase the foreign share if the foreigners could show they were being treated unfairly.

The US embassy has in the last two months presented the Japanese Ministry of Finance with reports in support of the American claim. The ministry has taken the complaints on board and is now pressing Japanese companies to concede market share to the overseas companies.

The ministry sells 20 per cent of its monthly issue of 10-year bonds, the most important instruments, through an auction to competing underwriters, both Japanese and foreign. The remaining 80 per cent is sold to underwriting syndicate members according to a fixed formula.

Foreigners have regularly bought between 5 and 6 per cent of the issue – but have had to scramble at auction for at least half of this, since their share of the fixed formula issue is just 2.5 per cent of the total.

Nomura Securities, the Japanese securities company with the biggest share, said yesterday that a settlement was close. Salomon Brothers, the US house with the largest share among the foreign underwriters, said the foreign share would probably rise to between 5 and 7 per cent.

ACTIVITY MUTED AFTER BRIEF WAVE OF SELLING

Profit taking and interest rate fears hit earlier gains

BY DOMINIQUE JACKSON

A BOUT OF profit taking and fears of rising interest rates yesterday combined to eradicate many of the gains posted last week across the board in the Eurobond market.

Primary market activity was also muted while traders noted a brief wave of early selling of a crop of issues for UK borrowers thought to be affected by a recent Inland Revenue announcement on the renegotiation of its double taxation treaty with the Netherlands Antilles.

Eurodollar bond prices followed the US Treasury market lower, hit by profit taking as the dollar eased from recent peaks and by a further rise in the Commodities Research Bureau index.

Many of last week's new dollar straight issues slipped to trade outside their fees.

Many traders were put on the alert in the wake of the Inland Revenue announcement which could affect up to 30 issues by UK borrowers which were routed through the tax havens of Netherlands Antilles and Aruba.

The issues are in a variety of currencies and are for issuers ranging from Lloyds Bank through Lonrho to Unilever. However, although dealers said the spreads between bid and offer price widened swiftly in initial trade yesterday, no large scale selling of the bonds was seen.

"The announcement has certainly raised a lot of questions about the future of the bonds but we certainly haven't seen investors panicking," commented one senior dealer. "In fact, a surprising amount of the paper which would be affected is pretty illiquid, so not really actively traded at all." UK government gilt-edged stock was marked down sharply when UK balance of payments data for May showed a shortfall almost double the market's median expectations.

The pound turned markedly easier on the foreign exchanges, affecting sentiment. However, dealers said retail clients' reluctance to sell limited the losses with bargain hunting also detected as some stock began to look attractively cheap. Eurosterling bonds also held up well with no panic selling seen, and most prices ended only around ½ point down on the day.

INTERNATIONAL BONDS

The new-issue side of the market was quiet with only a handful of deals emerging. Nomura International led a $200m three-year deal for Toyota Motor Finance, a Netherlands-based financing subsidiary. The 9⅝ per cent deal at 101⅛ is backed by a keepwell agreement with the parent company, Toyota Motor Corporation. The lead manager said the deal saw widespread demand and had managed to maintain its original launch spread of 30 basis points (hundredths of a percentage point) over US Treasuries despite a softer tone to the dollar bond markets after its launch. It was bid at a discount of 1.45 against fees of 1⅞.

Full International Finance and Merrill Lynch were co-leads on a $100m deal for State Bank of Victoria, backed by the State of Victoria. The 9⅛ per cent five-year deal at 101⅝ was priced to yield a margin of 62 basis points over Treasuries at launch. The lead manager said it was bid at a discount of 1.70 compared with fees of 1⅞.

Toyota also tapped the New Zealand dollar market through a different issuing vehicle, Toyota Motor Credit Corporation. The NZ$60m three-year issue at 14 per cent and 101⅞ was bid at a discount equal to its 1½ fees.

In West Germany, bond prices opened down by an average of ¼ point to fall to eight-month lows, with sentiment adversely affected by a growing conviction that the Bundesbank is set to raise the discount rate. However, markets received some support later in the day as the dollar succumbed to some profit taking but still finished with net losses. The Bundesbank calculated average yield on public issued paper rose to 6.27 per cent, the highest level since last October.

Commerzbank was the lead manager on a DM100m five-year issue at 5⅜ and par for Dutch shipping and storage group Van Ommeren Ceteco. The deal was said to have been largely pre-sold.

Morgan Stanley in Frankfurt led a DM100m five-year issue with equity warrants for Santander Finance, a financing vehicle for Spain's Banco Santander. The coupon on the deal is indicated at 2⅜ per cent.

In the Netherlands, Amsterdam-Rotterdam Bank led a Fl 300m five-year issue for Dutch electronics giant Philips. The issue carried a 6 per cent coupon and was priced at 100⅛.

Union Bank of Switzerland (Securities) said it proposed to launch a $70m convertible issue for Espirito Santo Financial Holding, a Luxembourg-based banking and insurance company, with extensive operations mainly in Portugal but also in France, Switzerland and the US.

Korea-Europe Fund share tranche priced

By Gordon Cramb

A SECOND tranche of shares in the Korea-Europe Fund, the London listed vehicle for investment in the Seoul securities market, was priced yesterday at $27.90 to raise a net $30m.

The price represents a steep premium to latest net asset value of $15.32.

This reflects the scarcity of opportunities for foreign equity investment in South Korea, which prohibits direct share purchases from abroad. Just over 1.1m shares are being placed with institutions.

In March last year an initial 3m units were issued at $10.71; shares in the fund dipped 2¾ yesterday to £18¼ ($31).

Wang enters financial services

BY RODERICK ORAM IN NEW YORK

WANG LABORATORIES, the US computer maker trying to recover from severe setbacks early last year, is to diversify into financial services.

It announced yesterday it would offer a family of equity, bond and money market funds through Wang Funds, a Bermuda subsidiary, and through financial intermediaries. Other initiatives include a $50m venture capital fund backed in part by the Taiwanese Government.

The new activities will be handled by a subsidiary called Wang Development and Investment Corporation (WDIC), which became responsible for the parent company's financial activities last year. It manages, for example, some $750m of funds, including $300m of Wang employee pension funds.

Dr An Wang, founder and chairman of the computer maker, said expansion of WDIC had been under close study for the past two years. He said he gave the go-ahead because he was "confident the company's computer operations are being well managed by a strong team."

Wang had plunged into a deep loss in the first half ended December 1987 because of restructuring and other costs. Its recovery faltered, however, in this year's fiscal third quarter ended March because of disappointing orders and shipments. The pace appears to have picked up again in recent months.

Although many other computer makers have financial subsidiaries, they are geared mainly to providing leasing and other financial services to customers. Among office equipment makers, only Xerox has a major presence in the financial service sector, with operations ranging from insurance to Wall Street merchant banking.

Wang's Taiwanese venture capital business, Golden Gate Development and Investment Fund, will draw its initial $50m of capital from Taiwanese investors (60 per cent), Taiwan's Bank of Communications (30 per cent) and Wang (10 per cent). It aims to invest 80 per cent of its capital outside Taiwan.

Mr Martin Goldman, president of WDIC, said the fund would invest in two high-technology US companies that were interested in manufacturing in Taiwan.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday June 27. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (r) convertible rate; (v) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Générale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe Ltd; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co.; First Chicago; Goldman Sachs International Corp.; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Samuel Montagu & Co; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

THF reaches £59m and plans sales

BY DAVID WALLER

Trusthouse Forte, the hotel and cateriog gronp, yesterday reported a 37 per cent increase in pre-tax profits to £59m for the six months to the end of April.

THF also announced that it expects to fetch up to £100m from the disposal of certain hotels – incinding the Londonderry in Park Lane – bought as part of the acquisition of Kennedy Brookea in March for £174m (before the assumption of debt).

Mr Donald Main, THF finance director, said that at least 10 companies had expressed interest in buying the 150-room Londonderry – just down the road from THF's Grosvenor House Hotel – and it now seemed appropriate to hold an auction.

Mr Main said that this should raise at least £80m, to be topped up by the sale of part of KB's portfolio of country hotels. It was not intended at present to sell the Howard Hotel in New York, bought by KB in s package with the Londonderry for a total of £64m last October.

Any proceeds would be set against the cost of the KB acquisition and would not effect the profit and loss account.

Yesterday's figures include no contribution from KB. In line with expectations, they set the company on course for pre-tax profits of about £210m in the full year.

Earnings per share rose by 37 per cent to 5.2p in the traditionally quieter first half, whilst sales rose from £764m to £878m. The interim dividend was raised to 1.76p per sbare (1.53p), an increase of 15 per cent.

THF's catering businesses did particulalry well: trading profits climbed by 47 per cent from £15m to £22m on turnover up by 17 per cent to £518m.

Mr Rocco Forte, chief executive, attributed what he called a dramatic increase in profits to a strong performance from the businesses formerly belonging to Imperial Group – 75 Imperial Inns and the Happy Eater chain – bought from Hanson Trust for £190m in 1986.

Rocco Forte: dramatic increase

Turnover from hotels was ahead by 11 per cent to £330m (£298m), whilst profits rose from £44m to £50m. The improvement in margins was achieved despite a 20-30 per cent decline in the number of US visitors to the UK, due to the low valus of the US dollar and the repercussions of October's stock market crash.

Despite lower occupancy levels in the London luxury hotels, occupancy levels rose overall by 5 per cent – although to what level was not disclosed. Achieved room rates climbed by an average of 7 per cent.

The contribution from the Savoy was unchanged at £5m, whilst property profits were £3m (£1m). Interest absorbed 19m (£21m) and tax £17m (£13m). THF's shares closed 10p down at 254p.

Savoy "A" shares fell from 960p to 898p after Mr Forte said that any THF bid for the Savoy would be pitched at a level substantially lower than the current share price.

See Lex

GC&C spells out ambitions for ID brands

BY LISA WOOD

THE IRISH subsidiaries of Grand Metropolitan and Allied Lyons which are mounting a joint hostile I£200m (£172.89m) bid for Irish Distillers, the sole distiller of Irish whiskey, want to build the distiller's Bushmills and Jameson products into major international spirits brands.

Gilbeys and Cantrell & Cochrane, the Irish subsidiaries of GrandMet and Allied Lyons respectively, have set up GC&C Brands, a joint venture company, to mount the bid. GC&C outlined its ambitions for the brands in the offer document, published yesterday.

ID shareholders are being offered 315p per share, which is 18 times ID's historic earnings per share before exceptional items.

The document attacked ID's performance at home and overseas, claiming that the prospects for an independent ID were bleak in a market where brands were being concentrated within large international groupings.

In the home market, the document claimed that Irish whiskey sales dropped from 38 per cent of branded spirits sold in the Republic in 1983 to 33 per cent in 1987.

In overseas markets in 1987, bulk exports of unbranded whiskey accounted for more than half of sales with none of the Irish whiskey brands ranking among the world's top 100 spirit brands, said GC&C. Their parent companies together boasted nearly 20 per cent of this market.

The document stated: "It is Cantrell & Cochrane's and Gilbeys' ambition that the Bushmills and Jameson brands should join the top 100."

GC&C maintained that if the joint venture acquired ID, the two partners would divide the whiskey portfolio and market the brands in competition with each other.

GC&C described its cash offer as realistic for a business where the financial record had been consistently poor. It said that earnings per share were less in 1987 than in 1983.

Furthermore, the document claimed that the price offered for ID could not be compared with that made for some international food and drinks companies where much higher multiples had been paid.

ID, said GC&C, was not solely a branded spirits company. A "significant percentage" of its profits came from activities such as cash and carry. Also, it did not possess internationally developed brands or control distribution in key export markets.

Guinness to sell Cranks restaurants

By Lisa Wood

Cranks, the health foods and vegetarian restaurant chain, is being put up for sale by Guinness, the drinks group which bought it in 1985 for £1m.

The business, with net assets of £3m and an annual turnover of about £4m, has six outlets in London and one in Devon.

The chain, started in 1961, slipped into loss last year wben it financed the building of a new bakery and acquired two new outlets.

Guinness, which has been selling off bosinesses it regards as peripheral to its core activities, said it had made a long review of Cranks and had decided it did not want to be in the restaurants business. This was despite the fact that Cranks was a niche business in a growth area of the food business.

"The Cranks brand-name is a good one," said Guinness, "but it does not fit our strategy." In addition to focusing on its core drinks activities, Guinness has retained a few businesses sncb as Champneys, the health farm, and Gleneagles Hotel in Scotland. Guinness said that Champneys and Gleneagles were both brand-names which were known internationally whereas Cranks was more London-based.

AAF sells S African investments

By Philip Coggan

AAF Investment Corporation is to sell its Sonth African investments and become an international investment arm for the South African industrial conglomerate, FS Group.

The deal is part of a restructuring of FS, which acquired AAF's parent company, W & A, last year. AAF's main asset was a 50.01 per cent holding in a South African investment company called Hunts, which in turn held share stakes in several quoted South African groups.

It is now proposed that AAF sells its holding in Hunts to another part of the FS Group. AAF will receive £16.2m cash which it will use to invest in non-South African assets. "We will be looking for majority shareholdings in companies, principally in the UK", said Mr Peter Greenhalgh, an AAF director, yesterday.

Warburg up 13% despite second half setback

BY DAVID LASCELLES, BANKING EDITOR

S G Warburg Gronp, London investment banking concern, managed to raise pre-tax profits for the year to March 30 by 13 per cent to over £111m despite last October's market crash.

However, the results showed that profits were more than halved in the second part of the year as the fall in equity prices and reduced market turnover *took their toll. Earnings per* share were also down.

Merchant banking and securities profits for the whole year, after transfer to inner reserves, were £79.9m, down from £81.7m. But the bulk of this – £57.2m – was earned in the first half of the year when the bull market was at its height. Second half profits were only £22.7m.

Warburg's earnings from asset management, represented by its 75 per cent interest in its fund management offshoot, Mercury Asset Management, were £39.1m, up from £22.8m. The breakdown showed £23.9m coming in the first half, and £15.2m in the second.

Altogether, Warburg's pre-tax profits, after interest on loan capital, were £111.1m compared to £98m the previous year. Profits in the first half were £76.8m, and in the second half £34.3m.

Sir David Scholey, chairman, declined to put s figure on the total impact of the crash on the group yesterday. However, Warburg has already disclosed that it lost £8m after tax on its share of last October's BP underwriting. Analysts have estimated the total impact at £20m-£30m at the pre-tax level.

Warburg is increasing its total dividend by 15 per cent to 11.5p through a proposed final of 8p. But earnings per share were *down by 10 per cent to 37.4p from* 41.3p owing to last year's rights issue.

Sir David said that bearing in mind market conditions "I believe that our outturn for the year is most encouraging. It demonstrates the soundness of our strategy in building a well-balanced investment banking, securities and asset mansgement groop witb a strong domestic base and continuously expanding international activities".

He noted that while equities had had a difficult time in the second half, the group's fixed income business had done well. The corporate finance department had performed well throughout the year despite a slow period in tbe immediate aftermath of tbe crash. Good results had also come from money msrket and foreign exchange dealing.

Sir David stressed that Warburg had treated the BP loss as a normal trading loss, and had also charged development expenses to the profit and loss account rather than, as last year, to inner reserves.

Profit attributable to shareholders of £64.5m (£63.8m) represented a return on average capital of 13.1 per ceot, which Sir David said was below the group's long term target.

He said thet the current level of business in tbe group was "eocooragingly busy", tbougb prospects depended heavily on the outcome of the US elections. He also criticised other – unnamed – investment bouses which, he said, were prepared to suffer beavy losses in order to gain market share. He described such tactics as "destabilising". He added: "Competition is healthier and the whole system is stronger if profitability is the yardstick applied by all the market participants."

Mr Peter Stormontb Darling, chairman of Mercury Asset Management, said his group had managed to increase funds under msnagement during the year from £21.4hn to £23hn, reflecting a good level of new business gained, and this had helped the company achieve its rise of 72 per cent in pre-tax profits.

Mercury's total dividend is to be 12p, the first since flotation last year.

See Lex

Millicom proposes Racal should demerge Vodafone

BY PHILIP COGGAN

Millicom, the US communications group which is the largest shareholder in Racal Electronics, has taken a further step in its campaign against Racal's plans to float off Vodafone, its mobile telecommunications subsidiary.

The US group has formally requested the Racal board to put a resolntion to shareholders at the forthcoming annual meeting proposing a demerger of Vodafone.

Institutional shareholders in Racal bave expressed disquiet thet a Vodafone float would result in a dilution of their interest in Vodafone, since any new shares might have to be issued at a discount to their real value in order to attract new investors.

Millicom's demerger proposal, if adopted, would involve existing shareholders being given shares in a new and separate company, Vodafone.

Scott's Restaurant

The consideration for the Mirabelle restaurant, which Scott's Restaurant is selling to Brent Walker, is being reduced from £3m to £2.63m as part of a deal allowing the two parties to share the costs of a fee payable for the proposed change of use from a restaurant to a casino. The £3m is currently on joint deposit with interest going to Scott's.

Ibstock Johnsen

Ibstock Johnsen, quality brick and pulp manufacturer, has acquired a further brick manufacturing business in the US.

Glen-Gery, Ibstock's US subsidiary, has bought the brick manufacturing assets and related activities of the New Jersey Shale Brick Corporation for $15.2m (£8.8m). The company produces about 50m bricks a year.

Leisure resumes bid talks with Bentley's

By Nikki Tait

Negotiations bave resnmed between Leisure Investments, amnsement centre and snooker clnb group, and Bentley's of Piccadilly.

Earlier this month, Leisure launcbed a £5.5m all-paper offer for Bentley's. However, Bentley's said that ahead of the hid there had been discussions about a possible offer from Leisnre, hut at mnch higher terms. It recommended, and continnes to recommend, shareholders to take no action.

Shares in Bentley's, which was born out of a deal between Oodles and Dolamore, used to trade under rule 535, but this facility has been barred by the Stock Exchange.

Yesterday, Leisure said it had always been prepared to pay a hit more if it could establish the true value of the group. It pointed out thet this was difficult to do when the accounts were so out-dated. The most recent accounts are for the year to end-December 1986.

Dowty profits 15% higher at £64m

BY VANESSA HOULDER

Dowty, diversified aerospace and electronics group, yesterday reported a 15 per cent increase in pre-tax profits to £64.1m, against £55.7m, for the year to March 31. Turnover rose 9 per cent from £573.5m to £624.8m.

Mr Tony Thatcher, chief executive, said that Dowty was making real progress, following a strategic review carried out by the new management team which has been in place for 18 months. "We feel we are on a very significant growth path now," he said.

Prospects for this year were "promising", as a result of steps taken to improve operating efficiency and a 14 per cent increase in its order book, which now stands at £660m.

Mr Thatcher said that the company was unlikely to be affected by Sunday's crash of the Air France Airbus A-320, for which Dowty makes landing gear.

The result was achieved despite the adverse effect of currency translation, which depressed sales by £25.2m and pre-tax profit by £3.1m. However hedging practices helped protect the group's trading activities from currency fluctuations. On major projects such as Airbus, it has forward cover until 1991.

The figures were further affected by redundancy costs of £1.4m (£3.2m). There was an extraordinary charge of £14.7m (£6m) to make provision for the costs of further closures and disposals of parts of the business which are not compatible with the group's strategic aims.

Acquisitions during the year increased sales by £51.7m and pre-tax profit by £2.1m, primarily in the aerospace and trial divisions.

The divisional breakdown of operating profits was: aerospace £29.6m (£25.6m); electronic systems £12m (£9.3m); information technology £9m (£5.3m); mining £10.7m (£11.9m); industrial £10.5m (£6m). Turnover increased throughout the company except in the mining division where it fell by 16 per cent to £144.4m, a fall predicted after an exceptionally strong performance last year.

Gearing increased to 41 per cent (11 per cent) as a result of £62.3m invested in newly-acquired subsidiaries.

A dividend of 4.2p was recommended giving a total of 7p for the year, up 12.9 per cent.

● comment

These results were better than expected, prompting a 7p boost to Dowty's share price. Dowty is acquiring an increasingly strong reputation in the City as its new management reshapes the company through acquisitions and rationalisation. The company has a broad base of businesses, which offer a fair degree of long-term stability. In the aerospace business, for example, acquisitions made last year have opened the door to Boeing, with which Dowty does business of $100m a year, three times that which it does with the Airbus project. Analysts expect profits this year of about £73m, putting the shares at 199p on a multiple of 9.5 - up with events.

TR Energy criticised over management fee

BY NIKKI TAIT

UNHAPPY shareholders at TR Energy, the oil and gas investment company, yesterday challenged a board decision to increase the annual management charge in the wake of recent performance.

Attendance at the annual meeting in Touche Remnant's Mermaid House in London was sparse – some 20 people in all – but a number of the shareholders took issue with the board over the company's recent record.

"The fees are excessive," declared Mr Ian Hurst, claiming that much of TRE's portfolio involved royalties, passive investment and minority holdings. The recent performance, in particular the asset write-downs, "does not inspire confidence", he commented.

Mr Hurst went on to suggest that the fee should be based on the return to shareholders or on a net asset basis, and queried the decision to raise the annual management charge from 1 per cent to 1.5 per cent on January 1.

TRE – which almost doubled its size via the acquisition of Energy Recovery Investment last year – is managed by Energy Management and Finance, which is owned jointly by merchant bank Kleinwort Benson and Touche Remnant.

Mr Hurst's comments were endorsed by a couple of other shareholders, who also asked about the valuations/prospects for certain individual investments. One pointed out that administrative expenses in the six months to end-December totalled £477,000 against £407,000, compared with net investment income of £407,000.

During the period, TRE made a £2.9m provision against fixed asset investments – a write-down which the statement from Lord Remnant, chairman, blamed principally on market and currency movements. The loss per share in the six months period was 8.3p, against a 3.5p deficit in the previous 12 months.

Yesterday, Lord Remnant stressed that the management fee was worked out on assets after write-downs but ahead of borrowings, and that the increase in the management charge had been decided after careful consideration. A fee had been negotiated "to account for the current circumstances of the company", he said.

No shareholder could be happy with write-downs, he added, but he believed the company was in a better position than it had been for some time. The company plans to circularise shareholders shortly with a scheme to eliminate the deficit on the profit and loss account, which – in turn – would allow it to return to the dividend list. Lord Remnant said it hoped this could become effective in the autumn.

GA holders lose vote on £320m bid for NZI

By Nick Bunker

Shareholders of General Accident have lost their right to vote on the composite insurer's £320m bid for 51 per cent control of New Zealand-based NZI Corporation because GA's advisers in London failed to understand a statement from the Stock Exchange.

GA is buying its controlling interest in NZI by paying £264m – £148m in shares and £116m in cash – for the 38 per cent stake in NZI formerly held by Brierley Investments.

GA is then taking that stake up to 51 per cent, firstly by selling its own existing Australasian operations in return for new NZI shares, and secondly by subscribing NZ$ 59.75m (£24m) for another tranche of shares in the group.

Under Stock Exchange rules, a bid of this nature would normally be subject to approval from a general meeting of GA's shareholders, because of the size of the deal and because less than half the total consideration is to be satisfied with the issue of GA shares.

However, an unusual paragraph in GA's offer document reveals that the Stock Exchange has had to waive the rule in this case after discovering that J. Henry Schroder Wagg, GA's merchant bank, and Hoare Govett, its stockbroker, did not tell GA that shareholder approval might be required.

Mr John Aston, a Schroder director, said yesterday that Hoare Govett was given the job of checking in advance with the Stock Exchange Quotations Department whether a shareholders' meeting would be necessary.

"Somewhere along the line what the Quotations Department said got misunderstood. It would be wrong to apportion blame," Mr Aston said.

According to the offer document, GA's advisers reported back to the company that the Exchange said there was no need for a shareholders' meeting.

However, they did not inform GA that the Stock Exchange had added a caveat to the effect that this would only apply if the majority of the consideration was to be satisfied by an issue of shares.

"This qualification and its implications were not communicated to the company (General Accident) which accordingly entered into the purchase agreement which is not conditional upon shareholders' approval," the offer document says.

According to Mr Aston, the Stock Exchange noticed the misunderstanding "at the eleventh hour". The Stock Exchange said yesterday that it waived its rules in this case to defend the best interests of GA's shareholders.

Part of the confusion arose because the complexity of the acquisition meant that there was scope for differing interpretations about how to apply the rules, Mr Aston said.

First National Finance advances 36% to £30.5m

BY CLARE PEARSON

First National Finance Corporation achieved a 36 per cent advance in pre-tax profits to £30.5m at the interim stage.

The provision for taxation in the six months to the end of April was £7,500 (£8,500). The company, which was a casualty rescued by the Bank of England's lifeboat during the 1970s, started paying tax again only last year after a 15-year break.

Earnings per share on a fully diluted basis moved from 11.5p to 13.8p. An interim dividend of 3.5p (3p) is being paid.

The bulk of the profits came from the consumer credit division which made £20.3m (£16.53m). Home improvement loans account for about 25 per cent of the division's lending. Demand for them seems to have been unaffected by Budget changes making borrowing for this purpose less attractive, the company said. The rest is mainly first and second mortgages.

The contribution of the property division, which mainly sells residential homes, advanced strongly to £6.17m (£3.57m). However, Mr Richard Langdon, chairman, said profits would be more evenly spread this financial year than last because of the bad winter of 1986/7.

After a period during which the commercial lending book shrank through redemptions, business was now increasing again. During the first six months, profits from lending to small and medium-sized companies increased to £5.74m (£4.67m).

Central interest costs fell to £1.68m (£2.34m). FNFC's earning assets now total more than £1.2bn, up from £830m at the end of the past financial year.

Last month, the consumer loans division, previously known as First National Securities, was renamed First National Bank and the commercial lending side First National Commercial Bank: this division, acquired from P&O in April 1986, used to be known as Twentieth Century Banking.

● comment

Not only are suppliers of consumer credit out of fashion, but FNFC suffers from a tax charge rising inexorably as its tax losses, expected to be about £25m by the end of the year, run out. This means the market is likely to respond churlishly however well FNFC does, though it is widely admired from a management point of view. The default rate on its loan book – which is entirely floating rate – is well below the average, and improving. In an environment in which consumer lending overall is likely to level off, the company has been working hard on increasing its market share with a recent promotion campaign for the new name, First National Bank. This has had the effect, it says, that the individual size of loans asked for has gone up – a healthy sign for margins. The company could make £70m pre-tax this year. On this basis, the shares, yielding about 5 per cent, stand on a modest multiple of just over 8 – but they will probably stay there.

Second half downturn checks Wooltons growth

PROFITS in the second half at Wooltons Betterware Group fell 23 per cent compared with the same period in the previous year.

On turnover up 9 per cent at £21.71m (£19.97m) this USM-quoted curtain retailer and direct homeware marketing company reported pre-tax profits for the year to February 28 up at £1.25m, against £1.2m. At the halfway stage profits had risen from £184,000 to £456,000.

The company said that the launching of the Curtainz concept had incurred considerable start-up costs and caused disruption to trading in the Wooltons curtain retailing business. The shares finished the day 10p lower at 125p.

Earnings per 10p share were 8.94p (8.63p) after a lower tax charge of £351,000 (£433,000). The directors are recommending a final dividend of 3p (2.5p) making a total for the year of 4.4p (2.5p).

The company said that the Betterware direct selling division had an excellent year with profits up 67 per cent despite high investment. Further improvements in its profits were seen.

Within the Wooltons curtain shops there was evidence that the consumer wished to trade up. The company said that the business was beginning to benefit from the trend and the changes made.

Campbell & Armstrong surges 90% to near £2m

Campbell & Armstrong, acquisitive Manchester-based office and shopfitting group, yesterday reported pre-tax profits up 90 per cent to £1.9m in the year to March 27.

The result was posted on turnover sharply higher at £23.8m (£6.89m).

However, Professor Roland Smith, chairman of the USM-quoted company, said that profit margins being achieved in one or two of the newly-acquired businesses provided opportunities for future improvement.

In this context he singled out Irwin Group, the general and specialist contractor purchased last year in a £3m deal.

The tax charge increased to £478,200 (£355,000), leaving earnings per 5p share 67 per cent up at 16.5p (9.9p).

A final dividend of 3p is proposed, making 4.5p (3.2542p) for the year.

Professor Smith said the group had begun the current year with a strong order book in most businesses.

"Trading in the first three months was "at a good level," he added.

Turnbull Scott holds recovery with over £1m

After its near £500,000 profit in the first half, Turnbull Scott Holdings has pushed on to produce £1.18m pre-tax for the full year to March 31 1988.

That compared with a loss of £447,000 last time, and the dividend is doubled to 18p, the final being 13p.

Exceptional charges were cut substantially, from £682,000 to £14,000. Turnover fell to £14.3m (£17.2m).

Leading the year's growth was the shipping side, which showed a turnaround from a deficit of £229,000 to a profit of £324,000. Loss-making ships were sold; in the second half the Yesemins was disposed of and the contract with TS Combar, covering dredgers and related equipment, was terminated with some compensation.

Engineering improved to £333,000 (£202,000), acoustic engineering incurred a loss of £1,000 (profit £51,000), security made a profit of £351,000 (£276,000), property £91,000 (£16,000) and other activities £100,000 (£18,000). Sale of the fishing fleet was completed – last time there was a loss of £99,000.

After tax £372,000 (£507,000), earnings came through at 78p per £1 share (loss 95p). This time there was an extraordinary credit of £260,000 (charge £251,000).

Eldridge on target with £1.4m

INTERIM RESULTS from the Dorchester-based brewer Eldridge Pope & Co showed progress and were in accordance with plan. Profits before tax were up 9 per cent from £1.28m to £1.39m.

The full year would continue to be restrained by launch costs of Labbatt's Lager and site disruption caused by the building of the new bonded warehouse, explained Mr Christopher Pope, the chairman.

But the success of the new lager, the many major pub developments opened recently, and booming wine sales enabled him to forecast profits growth next year.

In the six months ended March 31 1988 turnover rose 12 per cent to £15.96m (£14.27m) and operating profit 13 per cent to £1.4m (£1.24m), with last year being adjusted to take account of the pension contributions holiday. Earnings were 11.3p (10.2p) and the interim dividend is raised to 4p (3.5p).

Mr Pope said there were few surprises in the figures. The only mentionable points were the continuing preponderance of pub retailing profits, and the surge and market share increase in wine sales; volumes and profits from spirits and minerals were well ahead of the previous year. Overall beer market share was almost held.

Activity in contract packaging service was volatile, with a reduction in profit. But there were a number of promising opportunities.

Below-the-line the profit was bumped up by a £503,000 (£227,000) surplus on property sales.

Sterling Publishing books 55% advance

Sterling Publishing lifted pre-tax profits and sales by 55 per cent in the year to March 31 1988. Profits of the USM-quoted group rose from £1.11m to £1.72m and sales from £7.93m to £12.25m.

Earnings per share rose by 48 per cent from 4.97p to 7.34p and a dividend of 3.3p (2.2p) is recommended for the year.

Mr Ronald Cohen, chairman, said the results were due largely to the group's activities in controlled-circulation reference books. This division continued to perform outstandingly and confirmed orders in the current year were ahead 40 per cent.

The four acquisitions made during the year had contributed £661,000 to profits on sales of £2.62m. The association with Debrett's Peerage generated revenue close to £1m. After the end of the financial year, Debrett's was acquired in a deal which valued it at about £1m.

Cornhill Publications, acquired in November, helped boost Sterling's sales in the expanding sector of business-to-business publishing, particularly overseas. Total overseas sales rose 85 per cent to £6.25m.

Acquisitions made last summer brought Sterling into the financial publishing field and conference and exhibitions organising.

As Concorde has been dealt with on a merger accounting basis, its results have been included for the twelve months.

Midway growth takes Doctus to £624,000

Strong growth was reported at Doctus management consultant, where pre-tax profits rose 66 per cent to £624,000 in the half year to March 31.

Turnover rose to £5.37m (£4.58m) and after tax of £279,000 (£132,000), earnings per 5p share worked through at 4.3p (3.1p).

Since Doctus Management Consultancy effectively reversed into Smith Whitworth, in June 1987, accelerating losses have been turned to profit.

Discontinued activities contributed profits of £24,000 (£66,000 losses). Continuing business showed profits of £600,000 (£453,000) on turnover of £3.76m (£2.58m). An interim dividend of 0.5p (0.25p) will be paid.

Clothing losses cut Celestion to £70,000

A LOSS in its clothing division caused a setback for Celestion Industries for the year ended April 7 1988. Pre-tax profits for the group fell 90 per cent to £70,000, from £769,000 last time.

However, a twelve-month pension holiday saving £203,000 has cushioned the result, and the dividend is being maintained at 1p.

Turnover in the clothing division was £33.3m (£34.7m) and the loss came to £297,000 against profits of £521,000. The company's other division, manufacture of sound reproduction equipment, continued its progress and lifted profits to £367,000 (£248,000) on turnover of £10m (£9m).

After a tax credit of £80,000 (charge £208,000) earnings per share worked through at 0.6p (3.4p).

There was also an extraordinary debit of £23,000 (£38,000).

Biomechanics

Biomechanics International, in a share deal worth £700,000, is buying Glynvale, the holding company of Application Control Electronics (ACE) which makes programmable logic controllers and other automated electronic equipment.

COMPANY NEWS IN BRIEF

SWANYARD STUDIOS, the recording studio operator which joined the Third Market last December, announced pre-tax profits of £254,671 for its wholly-owned subsidiary Swanyard Recording Studios in 1987. Last time losses of £96,060 were incurred. Turnover increased from £319,850 to £910,983. Tax took £31,328 (nil). The company's studio complex is situated near Highbury Corner in north London and since the year-end a further hi-tech music programming suite has been opened. A second suite with a soundproof area is under construction.

TRANWOOD: Following the demerger of its financial services activities from its manufacturing business, Tranwood Group's corporate finance subsidiary, Hincorp, Earl & Company, has changed its name to Tranwood Earl & Company. The new holding company for the group's financial services and related businesses will adopt the name Tranwood. Application has been made for its shares to be traded on the USM.

BROADCAST COMMUNICATIONS has agreed to acquire the remaining 40 per cent holding in Business Television from Limehouse Television, part of Trilion. The consideration of £320,000, will be satisfied by the issue of 200,000 new ordinary shares at £1.60 per share. Trilion will also subscribe for an additional 135,000 ordinary shares at £1.60 each. As a result Trilion will hold 11 per cent of the company.

TUBULAR EXHIBITION Group is acquiring Sun Wharf (Stratford) for an initial £240,000 cash. Further consideration is payable up to a maximum of £110,000. Sun Wharf's principal asset is a leasehold property in Stratford, which Tubular plans to use for storage.

HOBSON has acquired Aintrade for an initial consideration of £65,000, of which £10,000 is payable in cash and the rest in shares. Further consideration up to a maximum of £260,000 depends on future profits.

CRESTA HOLDINGS has sold the freehold of a filling station on the Isle of Man to Esso Petroleum for more than £800,000.

GEORGE BLAIR, maker of cast steel products, reported pre-tax profits of £1.32m (£968,000) on turnover of £18.01m (£15.77m). Earnings per share were 45.2p (36.1p). The proposed final dividend is 6.7p, making a total of 9p (2.76p). The shares are traded on the market made by Granville & Co.

DWYER has acquired Annstar for £1.55m cash. Annstar owns seven retail warehouses in the UK with an approximate annual rate roll of £486,000. Net assets at completion amounted to about £1.7m.

SHARE STAKES

Changes in share stakes announced during the past week included:

BLACKS LEISURE GROUP: Mr A. Thornton has sold 200,000 shares at 19¾p each and now holds 482,000 ordinary. Mr Stephen Morris has sold 1m shares at 19¾p and now holds 21.56m (5.4 per cent).

HIGH-POINT SERVICES: Mr Christopher Moran holds 260,000 ordinary (5.3 per cent).

BRISTOL CHANNEL Ship Repairers: C. H. Bailey and its subsidiaries have disposed of 2.65m ordinary shares, reducing their holding from 37.66 per cent to 34.34 per cent.

BENLOX HOLDINGS: Dr A. Marwan is the beneficial owner of 2.88m ordinary (6.71 per cent).

DOWNIEBRAE HOLDINGS: Mr P. Beswick has disposed of his remaining interest of 1.23m ordinary shares.

ETZ CORP: Sir Alistair Frame, chairman, has exercised options over 250,000 ordinary and has sold the shares at 435p.

LILLESHALL Co: Mrs J. Leek, the wife of a director, has purchased 15,000 ordinary at 110p, increasing her holding to 230,000. Mr and Mrs Leek and their family are now interested in 475,000 (5.9 per cent).

STAG FURNITURE: Mr P. Radford has sold 91,300 ordinary at 143p and now holds 9.45 per cent.

BODYCOTE INTERNATIONAL: The holding of Mr J. Dwek, chairman, has been reduced by the sale of 100,000 shares at 275p to 2.49m (10.64 per cent).

CLOGAU GOLD MINES: Waverley Mining Finance has bought 3m ordinary (6.43 per cent).

TOYE & COMPANY: Following recent purchases, the holding of Saxonbest and associates is 112,500 shares (5 per cent).

SEACON HOLDINGS: Mr C. Roth, chairman, has sold 100,000 ordinary to Mr A. Taylor, joint managing director, at 60p each. Mr Roth's interest becomes 3.71m (58.04 per cent) and Mr Taylor's 469,675 (7.34 per cent).

EDMOND HOLDINGS: Mr R. Chalcraft, a director, has purchased 100,000 shares at 34p and now holds 7.81m (15.46 per cent). Mr A. Naish, also a director, bought 25,000 shares at 34p and holds 2.92m (5.78 per cent).

FAIRLINE BOATS: Mr S. Newington, chairman and managing director, has sold 50,000 ordinary at £4 each. His personal holding stands at 761,478 (21.8 per cent).

Hunter record

Hunter traded at record levels in the opening five months of the current year, Mr Harry Solomon, the chairman, told the annual meeting.

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WPP Tokyo sale cuts borrowings

BY NIKKI TAIT

WPP, the advertising agency and marketing services group, yesterday announced that it had sold its 100,000 sq ft office block in Tokyo to Nippon Life for Y25bn (£108m).

The news was given to shareholders at the annual meeting. The property was acquired as part of the £351m bid for New York-based JWT Group – which takes in the renowned J. Walter Thompson advertising agency – last summer. Ahead of the acquisition WPP was substantially smaller than its American target, and the bid was made on a leveraged basis.

The disposal of the Tokyo property was seen as a key part of WPP's plan to reduce borrowings.

In March, the company announced that it had received several offers for properties, including Tokyo, which could realise at least $100m in cash.

Yesterday, WPP added that the sale of the Tampa, Florida, property had taken place and that the disposal of the Sydney, Australia, property was "in its final stages". These were likely to raise a further £10m.

The Tokyo property comprises office accomodation on 11 floors, just outside the central area of the city. WPP said that the sale, after providing for tax, will reduce the company's borrowings by around £57m.

It does, however, plan to lease back about 45 per cent of the space – the amount it occupies at present. Yesterday, stockbrokers James Capel were estimating that the net benefit to pre-tax profits in five months of the current year could be around £1.9m, and increased their profit forecast from £34m to £36m. In the following full year, the benefit is put at around £4.5m, and the Capel forecast is going up from £46m to £50m.

Yesterday, shares in WPP – which have risen strongly over the past few weeks, helped by the dollar's performance – eased 5p to 580p.

At the meeting, shareholders were also told that since the beginning of the year the group has gained more than $350m of billings in net new business assignments – equivalent to an annual increase in billings of 12 per cent. In the last four weeks, J. Walter Thompson has gained new assignments totalling over $100m in billings.

On the more fraught matter of Lord Geller Federico Einstein, the much smaller New York advertising agency where a number of senior executives walked out in March, WPP said that it was continuing legal action against the former directors. It was currently awaiting a decision on whether a temporary injunction against the defectors should continue and for how long. WPP said it intended to pursue its claim for damages.

Maxwell in $9m Israeli investment

MR ROBERT Maxwell has purchased a substantial holding in Modiin Publishing Honse, Israeli publisher and commercial printer, write Andrew Whitley in Jerusalem and Clare Pearson in London.

Modiin, the flagship of which is the mass circulation daily newspaper Maariv, plans to use the capital to move into electronic journalism.

The holding has been bought by Pergamon Media Trust, Mr Maxwell's Lichtenstein-based company, which has interests in satellite broadcasting channels MTV Europe and Premier.

The stake is believed to be about 30 per cent and to have cost about $9m (£5m).

Modiin has recently diversified away from its books and newspaper publishing base into such areas as record and video distribution. It is seeking to branch out into cable and satellite-based information and entertainment.

This latest move by Mr Maxwell to expand the geographic reach of his media interests follows last week'a announcement that Maxwell Communication Corporation, his quoted company, was seeking to set np a joint communications venture with Societe Generale de Belgique.

Mr Ido Dissentshik, editor-in-chief of Maariv, which has a daily circulation of 115,000, said he did not think Mr Maxwell was interested in eventually making a takeover bid for Moriin. Control remains in the hands of the founding Cheifetz *family*.

Mr Maxwell is chairman of the UK branch of the Israel Bonds Association, a fund-raising body for the Jewish state.

Before agreeing terms with Modiin, be is said to bave expressed an interest in two other media-related investments in Israel.

Stead rejects increased £108m offer by Clayform

BY NIKKI TAIT

AN INCREASED £108.1m offer by Clayform, property gronp, for Stead & Simpson was firmly rejected by the shoe retailer and motor trader yesterday.

Clayform argued that its revised bid, up from the previous offer of £89.5m, was in line with Stead's net assets once account was taken of the potential tax liability arising on property sales. Last week, Stead published a net asset figure of £118.8m, after revaluing its properties.

However Mr Peter Gee, a Stead & Simpson director, said yesterday that the board still believed that the Clayform offer was "way below net asset value".

"It doesn't value us fully at all," he said. The fact that Clayform was factoring in a potential tax merely underlined its break-up intentions, he added.

The new terms bava hean declared final unless a competing offer emerges. They are worth £14.50 in cash for each ordinary (voting) share, and 151p in cash for each "A" (non-voting) share. Yesterday, the voting shares moved 5p beyond the offer terms, np 30p to £14.55, the mid-price of a 50p spread, while the ordinary remained slightly shy at 146p, up 13p.

Clayform said that its offer priced Stead at 26 times historic earnings once property profits, now taken above the line, had been excluded, and 22 times the forecast figure to end-March 1989, again excluding the property element. With the property element added in and on an actual tax *charge Stead said the prospective* multiple came down to 13 times.

Yesterday, Clayform followed up its widely-expected increased offer with some market purchases. It bought 75,389 ordinary shares, about 4.7 per cent of that class, and 4,500 "A" ordinary (0.29 per cent). That took its interest in the voting shares, together with the small level of acceptances received in respect of its earlier offer, to 35 per cent.

Yesterday Samuel Montagu, Clayform's advisers, said they were heartened that some of the shares purchased yesterday had come from the very wide spread of "family" shareholders, who, together with directors, are thought to speak for more than half the voting equity.

To finance the bid, Clayform will put up £28m from its surplus cash resources and has arranged an £80m five-year loan facility with Samuel Montagu.

Clayform also said yesterday that in the latest circular to shareholders Stead made "no ususual weather conditions" one of the assumptions in its profit forecast. However the company noted: "Stead & Simpson has referred to the impact of adverse weather conditions on its footwear retailing profits in each of the last four years."

Stead replied thet it merely made prudent assumptions.

Ex-director attacks Yale board

BY VANESSA HOULDER

AN ACRIMONOUS dispute emerged yesterday over the boardroom structure of Yale and Valor, locks and domestic appliances group.

The opening shot was fired by Mr Norman Davis, a former director who has issued a statement calling for the company to appoint a full-time chief executive and an experienced non-executive financial director. This resolution will be proposed at the annual general meeting in three week's time.

Mr Davis was a director of the company from 1969 until six weeks ago when he left Yale following a dispute over his role in the company.

Mr Michael Montague, chairman of Yale and Valor, yesterday responded with a letter advising shareholders to vote against the resolution. This has been sent to all shareholders along with the statement issued by Mr Davis.

Mr Davis' statement argued that the board had not been augmented in size or expertise despite the expansion of the group's activities through the acquisition of Yale and Nutone of the US.

The business would be "much enhanced" by the appointment of a suitable chief executive to conduct day-to-day activities. This would allow a chairman to concentrate his efforts on overall strategy and aupervision, Mr Davis maintained. The business would also benafit by the appointment of an experienced non-executive financial director to oversee the more complex financial affairs of the group, he added. "Such appointments are not unusual in a group the size of Yale and Valor," he said.

Mr Davis stressed yesterday that he was not seeking to return to the company.

In response, Mr Montague said: "The board regards it as sad that Mr Davis, the major part of whose association with us is valued, should make this proposal."

The company did augment its board at the time of the acquisition of Yale and Nutone by the appointment of "distinguished" American non-executive directors, he said.

Mr Montague said that the existing structure of the board was a common one and furthermore was vindicated by the performance of the company. "We have been described as brilliant," he said. "Modesty prevents me from endorsing that."

Woolworth buys Granada's NI Connect chain

By Nikki Tait

Granada, television and leisure group, is selling 15 Connect stores in Northern Ireland to Woolworth subsidiary Comet for £2.3m with additional consideration for stock. Comet said the acquisition would allow it to enter Northern Ireland as the leading multiple electrical retailer.

Granada acquired the stores as part of its £250m bid for Electronic Rentals. ER itself had taken on the Connect chain as part of its Telefusion acquisition.

Much of the Connect chain had subsequently been rationalised *and merged with other ER out*lets. However, the Northern Ireland chain remained a fairly self-contained business.

Yesterday, Granada said that it anticipated a reduction of between 15 and 20 per cent in its rental chain in the wake of the ER bid. The offer left Granada with around 1,000 outlets, with some duplication.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Campbell/Armstr§	fin	3†	Aug 26	1.95	4.5	3.25
Celestion Inds	fin	1	Aug 13	1	1	1
Doctus	int	0.5	-	0.25	-	0.25‡
Dowty Group	fin	4.2†	-	3.6	7	6.2
Eldridge Pope	int	4	July 30	3.5	-	7.75
FNFC	int	3.5	Aug 24	3	-	8.75
Sterling Pub §	fin	3.3	Sept 1	2.2	3.3†	2.2
Trusthouse Forte	int	1.76	Oct 3	1.53	-	7.1
Turnbull Scott	fin	13	-	6	18	9
Warburg (SG)	fin	8	July 27	7	11.5†	10
Wooltons B'ware§	fin	3	-	2.5	4.4	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 18 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- S&W Berisford, Grant Nicholson, Gardner, Munton Bros, Oakwood.

Finals- Anchor Int'l Fund, Walter Alexander, Bridgend, A Cohen, Delmar, Halma, Irish Wire Products, John J Lees, Lister, Millward Brown, Northumbrian Fine Foods, Scott's Restaurant, Smith New Court, Southend Property, Stormguard.

FUTURE DATES

Interims-

Ashley Industrial Trust	June 29
Domino Printing Sciences	July 13
Greenwich Communications	June 30
Murray Int'l Trust	Aug 23
Persimmon	Sept 5
Shoralplan	June 29
Williams (J) of Cardiff	July 1

Finals-

Asprey	June 30
Cambrian Venture Capital	June 30
Carclo Engineering	July 11
Howden Group	July 12
Murray Electronics	Oct 4
Murray Income Trust	Aug 26
Murray Ventures	Oct 4
Stanco Exhibition	June 30

Wagon purchase

Wagon Industrial Holdings has acquired 2.36m shares (3.9 per cent) in Banro Industries for which it has made an agreed £39m bid. The parties also announced yesterday that they had agreed terms on an offer for the preference shares – at 107p per share.

COMMODITIES AND AGRICULTURE

Farmers union defends subsidy

BY BRIDGET BLOOM

BRITAIN'S National Farmers Union yesterday robustly defended farm subsidies as the vital guarantee of farmers' incomes and of national food supplies.

The NFU defence, in the form of a seven-page memorandum and a London press conference yesterday by its president, Mr Simon Gourlay, comes as the international debate on the abolition of agricultural subsidies gathers pace.

The US has proposed, within the context of the General Agreement on Tariffs and Trade, that all production-related subsidies should be abolished within 10 years. The European Community is much more cautious. It agrees that subsidies should be reduced but has not said by how much or when.

The NFU is even more cautious, calling for "direct action", such as an extension of quotas, to control surplus production and thus the spiralling cost of farm support.

Abolition of farm subsidies would result in "drastic changes", in the structure of farming and a severe rundown of farming in some parts of the country, with land becoming derelict as in the inter-war years, the union claims.

It plans to take its campaign to Westminster where it is sending the document to ministers and MPs as well as circulating it to commissioners of the EC in Brussels and "agricultural policy-makers world-wide."

Asked what had prompted the NFU's action yesterday, Mr Gourlay said that there had been a great deal of criticism of farm support policies recently. "Everyone is bashing the CAP, bashing support mechanisms and extolling the virtues of reliance on market forces. We thought we ought to say why we should have support policies," he said.

In its memorandum the union declares that it is not advocating "open-ended support for farming." However it argues that agriculture is inherently more unstable than normal business and support is therefore necessary to iron out fluctuations in supply and in prices.

Abolition of support would not "magically reduce" the amount farmers can produce per hectare. Nor would it necessarily result in benefits for manufacturing industry or for employment in other sectors of the economy, as recent studies had suggested.

The best way of curbing farm surpluses would be through an extension of compulsory limits on production such as "set-aside" schemes for cereal land. The document also calls for greater tariff protection against imported vegetable oils and proteins – a position firmly opposed so far by the UK Government.

The final knot of the EC's farm price package was still not fastened yesterday evening as Community agriculture experts grappled with an apparent misunderstanding by Greece over the wording of the "final" text, writes Tim Dickson in Brussels.

The new hitch followed what was widely thought to be a binding agreement reached by all 12 member states late last Thursday.

But in the telephone conversations which paved the way for the deal wires seem to have become crossed on the final concessions made to Athens over the dismantling of Greece's negative monetary compensatory amounts.

Mr Frans Andriessen, the EC's Agriculture Commissioner, was said to be determined to stick to the Commission's final offer of a 15 point dismantlement for animal products and 20 per cent for crop products.

Oats prices soar as the US drought continues

By Deborah Hargreaves in Chicago

THE CHICAGO Board of Trade's grain futures contracts rushed to their upper price limits yesterday in what has become a pattern for Monday market openings as the scorching drought continues in the Midwest.

With 105-degree-heat in Chicago on Saturday – equalling the city's highest ever recorded temperature in 1936 – and only sparse rain forecast for the US cornbelt this week, maize, soya products and oats futures remained locked at their limits yesterday.

The sharp rise in the grain contracts – all except wheat opened at their upper limits – followed a slight drop on Friday for maize and soyabeans as traders remained extremely sensitive to any hint of rain.

Oats futures were at their price limits for most of last week as the crop, which is grown in the Northwest Plains states, has been devastated by the drought.

Oats are currently trading at an historical high around the $3.70-per-bushel mark as US processors scramble to secure their needs in a market where demand is increasing. The US has even been forced to import oats to meet demand.

In an effort to free grain futures from their limits, where little trading occurs, the CBOT has changed its price limit rules for the contracts.

Price limits of 30 cents for soyabeans were previously expanded to 45 cents for the contract if it hit its limit for three days in a row. Under the new rules, the grain contracts will have to hit their limit for only one day for that limit to be expanded for another three days.

Traders themselves are frustrated with the current market pattern, where contracts will hit their price limits minutes after the market opens and stay there all day, waiting for a sale to push the price lower.

Tin races to 10-month high

BY KENNETH GOODING, MINING CORRESPONDENT

THE PRICE of tin, which so far has lagged behind as other base metals raced ahead this year, climbed to a ten-month peak in the free market early yesterday.

At £4,195 a tonne, the price was some £55 up from Friday afternoon's level.

Traders said the trend mainly reflected the weakness of sterling against the US dollar and that many consumers appeared to be reluctant to arrange new business.

Analysts pointed out, however, that the upward price movement was underpinned by the success, so far, of the Association of Tin Producing Countries' measures to reduce stocks.

Since the collapse of the tin market in 1985, a small increase in demand combined with export quotas established by the ATPC (a group which takes in Malaysia, Thailand, Indonesia, Australia, Bolivia, Nigeria and Zaire) have helped whittle away stocks.

From about 105,000 tonnes at the beginning of 1986, stocks are estimated to have fallen to their current level of 45,000 tonnes.

Undertakings by two major producers who are not members of the ATPC – Brazil and China – who agreed to limit exports, have also contributed to the healthier picture for tin.

The latest forecasts from the International Tin Council indicate that output of primary tin in the non-communist world in the first nine months of this year will be about 1.8 per cent above the same period last year at 112,900 tonnes.

Consumption is predicted to be 129,400 tonnes or 2.9 per cent more than in the January–September period last year.

This should leave a deficit of supply of 20,800 tonnes following one of 24,700 tonnes for the whole of last year and for 1986.

The deficit, as usual, is expected to be offset by sales by the US General Services Administration, which holds about 170,000 tonnes of tin, and reductions in stocks.

The ATPC's aim is to cut stocks to about 20,000 tonnes by the middle of next year.

Much depends on China. There is a split of opinion among traders about whether China's recent decision to stop exports of copper and aluminium to protect its domestic industry from shortages is good news for tin.

Some suggest that China is likely also to restrict tin exports. Others say it might be tempted to break its undertaking to keep tin exports to 10,000 tonnes in order to make up for lost foreign exchange earnings.

James Capel, the London stockbroker, suggests that it might require only a small increase in the tin price to "encourage a breaking of ranks."

It says: "The most serious threat to the (ATPC) agreement is the voluntary restraint being exercised by the non-members, Brazil and China. China's sales policy is likely to be a key factor as it was in 1987 when tin prices were depressed by heavy Chinese exports."

Capel adds: "Our view is that the tin price may well show an improvement in line with the general bull market in metals but that it will remain a relative underperformer in relation to the other metals in the short term, while outperforming the other metals in the longer term when their new production starts coming on stream."

Nicholas Woodsworth reports on an industry recovering from decline

Ghana tries to modernise its timber trade

TO THE devout inhabitants of the densely-forested areas of Ghana's Brong-Ahafo region, where each village clearing seems to have at least one Christian fundamentalist church, every dawn must seem like a biblical creation.

Daybreak in the tropical rain forest here is silent. Huge trees rise into the still, humid air. Thick vines seem to drop from the sky and drape themselves over luxuriant undergrowth. Drops of water glisten on every leaf. Yellow butterflies flutter through the glades. It is such an exaggeratedly paradisical setting that at any moment one expects to see Adam and Eve emerge hand-in-hand from the forest looking for mangoes to breakfast on.

It doesn't last long, however. What emerges from the forest just after dawn in Brong-Ahafo is not the first man and woman but a snarling, 300-horsepower Leyland truck hauling a 40-foot load of logs. It roars by with a grinding of gears only to be followed a few minutes later by another, then another, right through until the end of the day. Brong-Ahafo may be a stronghold of fervent West African fundamentalism, but it is also a major centre of Ghana's booming timber industry.

The region's logging roads are busy seven days a week, and would be used through the night as well if it were allowed. That the area has been so neglected in the past that night driving on these roads is murderous is an indication of the recentness of the boom and the problems encountered in modernising the timber trade.

In the early 1970s Ghana went into a steep economic decline from which it began slowly to emerge only in 1983 with the introduction of a rigorous Economic Recovery Programme.

In 1983 the Ghanaian timber industry, working at 16 per cent of capacity, exported only $15m worth of sawn and processed timber. By 1986 the figure had risen to $44m. Last year, with 500,000 cu m exported, it doubled to $90m. Exports are expected to leap again this year.

The main reason for this meteoric rise lies in large amounts of funding channelled into the timber sector by commercial and development institutions over the past five years. Besides loaning Ghana $57m for its economic recovery programme, in 1985 the World Bank also made available an Export and Rehabilitation Credit of $93m to strengthen the three main foreign exchange earners, cocoa, gold and timber.

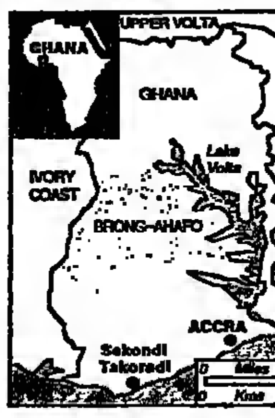
This, together with a rapid devaluation in local currency, allowed the timber industry to begin importing much-needed heavy forest equipment, trucks and sawmilling machinery.

Under the World Bank programme, transportation infrastructure, including the main trans-shipment bottleneck at Takoradi Port, is also being improved.

The UK has played a significant role in the industry's expansion. Forestor, one of the world's largest manufacturers of forestry equipment, has been a major supplier to Ghana's timber trade.

Britain's Marktrace Projects last year undertook a five-year management contract for the rehabilitation of the African Timber and Plywood Company, a state-owned enterprise that has the largest timber concession in Ghana. With a £10m ECGD-supported line of credit from the Bank of Scotland, the $30m project will restore ATP to the pre-eminent position it held as a United Africa Company subsidiary before nationalisation.

Ghana's galloping timber boom has led to imbalances within the industry. At present the industry, dominated by locally-based Lebanese business interests, is more concerned with quick profits through the export of often wastefully-produced logs and sawn timber than the development of a high value-added industry.



The Government, however, has taken steps to encourage finished product exports. Last December it reduced the foreign currency retention allowed to log and sawn timber exporters from 20 to 5 per cent.

This has given considerable incentive to Ghanaian value-added activity in furniture and finished product manufacturing. Ghana exported 30,000 cu m of hardwood products to Europe and North America in 1986; projected volume this year is 42,000 cu m.

One wood products company alone, Scanstyle Mim of Brong-Ahafo, now exports 18,000 dining room chairs to Great Britain every month. As part of its exports promotion campaign Ghana's Timber Export Development Board this summer will hold a major timber products exhibition in London in July.

One growing concern in the recent past has been the environment. While the timber trade is expanding, Ghana's forests are receding. At the turn of the century there were 8m sq km of tropical forest in Ghana; today there are less than 2m and the figure is dwindling. Forest replanting in the early 1970s of 11,000 hectares a year has dropped to a current level of 4,000 hectares. Although the Government has claimed reafforestation is a priority in the industry, there is much to be done to promote conservation and sustainable timber yields.

The World Bank and Britain's Overseas Development Administration have made a start, however. They are involved in forestry inventory and management programmes, and hope to expand the size of remaining forest reserves. There have also been initiatives in community education to inform the population of the value of forest conservation.

While Adam and Eve will never walk the forests again, one can only hope Ghana will take measures to retain something of its virgin paradise.

● We have been asked to point out that Mr Kwame Owusu, mentioned in last week's article on the Ghanaian cocoa industry, is chief executive of the country's Cocoa Marketing Board. *The Ghana Timber Products Show will be held at London's Business Design Centre from July 25-31. Enquiries to the Upton Grey Corporation, 35 West Hill London, SW18.*

Longer-term price rise forecast for lead

BY KENNETH GOODING, MINING CORRESPONDENT

LEAD IS likely to regain a price of £425 a tonne on the London Metal Exchange shortly and then go on to £680 in the longer term, says Rudolf Wolff, the London-based trading group, in a review of the metal's prospects.

The bullish outlook for lead is likely to diminish only if there is a total reversal in the base metals sector "and, given the current economic climate, we cannot foresee this".

Yesterday the cash price for lead on the LME rose by £17 to £383 a tonne.

Wolff also points out that there is likely to be substantial speculative interest "as players who have enjoyed the strength in the other base metals look towards lead, which in part explains its recent strength and volatility".

Dealing with the fundamentals behind the metal's recent performance, Wolff suggests that already this year consensus forecasts for a surplus of supply over demand of about 100,000 tonnes of lead have been revised downwards by 40,000 tonnes to reflect minor production losses and firm demand.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	+4,325	to 26,625
Aluminium high grade	+3,200	to 30,425
Copper Grade A	+6,475	to 97,700
Lead	+4,525	to 61,275
Nickel	+162	to 3,066
Zinc	–750	to 35,125
Tin	–145	to 16,210
Silver (ozs)	–840,000	to 15,644,000

"Should this continue, the market will at best balance by the year–end. Indeed, the projected surplus is only equivalent to about 1 per cent of total consumption," say the authors, Mr John Harris and Mr Robin Bhar.

Demand from the battery producers, who account for 60 per cent of consumption, is expected to remain firm because car sales continue to show good growth, they add.

Non–communist world stocks of lead at the end of 1987 at 420,000 tonnes represented about five weeks' consumption. Currently producer stocks, at about 205,000 tonnes, and consumer stocks, about 190,000 tonnes, are little changed from the 1987 level.

Merchant and LME stocks make up the rest and, although the Exchange's stocks have risen sharply from about 15,000 tonnes to 55,000 tonnes during 1988, "much of this may be attributed to producers who have chosen to deliver metal rather than pay the backwardation (cash premium over three–months metal) in order to roll the positions forward. This, therefore, reflects more a redistribution of stocks rather than any net increase", Wolff insists.

UK grain exporters hit by intervention board delays

By John Buckley

BRITAIN MAY lose £1m in grain export orders and faces a pile-up of grain in intervention stores because UK exporters have to wait far longer than their continental rivals to receive EC export rebate payments, according to the UK Grain and Feed Trade Association.

The bottleneck has developed through two seasons of staff shortages and computerisation problems at the Intervention Board for Agricultural Produce. The board handles the rebates which keep EC grain competitive with world prices.

After last season's record 10m tonne grain exports, the Ministry of Agriculture acknowledged the need for additional resources at the intervention board and as far back as last July exporters were assured that increased staffing was reducing a huge backlog of paperwork.

Ministers were also optimistic that a new intervention board computer system would be operational by January 1 1988, ensuring that the problem "should not occur again in any sector" and that most payments would be made to exporters within a 28-day target period.

But the delays are as bad as ever this season, says Gafta, although British grain exports have halved. The backlog remains, delays range up to 90 days and there is no likelihood of improvement when the marketing year starts next month.

By comparison, French exporters waited a maximum of 42 days last season and will start the new marketing year with a mere 15-day delay, giving them an effective $3 to $4 per tonne advantage over the British in export sales.

This not only wipes out UK exporters' profit margins but encourages international shippers to place orders with suppliers other than the UK, said Gafta official Ms Maria Cappuccio.

"Either staffing and resources must be improved at the intervention board or some of its functions should be sub-contracted out to commercial banks or other private organisations," she said.

She would also like to see a Parliamentary Select Committee of inquiry into the board's programme.

An intervention board official said staff had been increased from 150 to 200 in the import/export licensing department to help clear the backlog. Consultants had been brought in from the private sector to deal with what was largely a software problem with the computerisation.

"It now looks as though we are over the peak of the problem," he said.

"The target is to halve the backlog over the next two months and virtually eliminate it by the late summer or early autumn."

WORLD COMMODITIES PRICES

LONDON MARKETS

Prices for raw sugar on London's terminal market soared again to a five–year peak yesterday afternoon, with second month October at $257.60 a tonne, up from $243 on Friday. Traders said concentrated trade, speculative and chart buying boosted prices. The upward movement continues to be fuelled by Cuba's inability to fulfil contracted sugar shipments to Japanese trade houses, traders said. It was also suggested that Mexico and the Dominican Republic have similar problems. On the London Metal Exchange, traders said the aluminium market was very nervous after last week's sharp losses. Any sign of pressure caused exaggerated price movements. Standard aluminium (99.5 per cent pure), the most widely – traded fell by £5 to £1,662.50 for cash metal while three-months slipped by £8.50 to £1,590 even though the LME reported a smaller – than – expected rise in aluminium stocks.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.27-3.34z	-0.30
Brent Blend	$14.95-5.00u	-0.40
W.T.I. (1 pm est)	$15.92-5.95z	-0.24
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	-2
Gas Oil (Soviet)	$128-130	-3
Heavy Fuel Oil	$66-68	-2
Naphtha	$150-152	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$441.75	-2.00
Silver (per troy oz)♣	684c	
Platinum (per troy oz)	$556.75	+1.25
Palladium (per troy oz)	$124.25	-0.75
Aluminium (free market)	$2910	-90
Copper (US Producer)	117½-120c	
Lead (US Producer)	36.0c	
Nickel (free market)	690c	-20
Tin (European free market)	£4195	+60
Tin (Kuala Lumpur market)	15.36r	+0.11
Tin (New York)	333.5c	+0.5
Zinc (Euro. Prod. Price)	$1337.5	
Zinc (US Prime Western)	63.5c	
Cattle (live weight)†	112.65p	-1.30*
Sheep (dead weight)†	159.16p	-16.43*
Pigs (live weight)†	00.07p	-3.37*
London daily sugar (raw)	$269.0x	+0.5
London daily sugar (white)	$277.5x	+2.0
Tate and Lyle export price	£278.5	+5.5
Barley (English feed)	£107s	
Maize (US No. 3 yellow)	£138u	
Wheat (US Dark Northern)	£130x	+3
Rubber (spot)♥	77.00p	+0.25
Rubber (Aug)♥	83.00p	+0.25
Rubber (Sep)♥	83.25p	+0.25
Rubber (KL RSS No 1 July)	367.0m	+0.5
Coconut oil (Philippines)§	$695s	
Palm Oil (Malaysian)§	$563w	
Copra (Philippines)§	$430	
Soyabeans (US)	£253u	+14
Cotton "A" index	69.5c	-0.6
Wooltops (64s Super)	654p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. s-Jul/Aug. a-Aug/Sep. z-Aug. y-Jun/Jul. q-Sep. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	926	940	933	923
Sep	949	948	956	940
Dec	960	962	966	952
Mar	981	981	985	970
May	1001	1000	1003	998
Jul	1020	1019	1021	1010
Sep	1040	1038	1040	1030

Turnover 4630 (9722) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 24: 1207.60 (1201.06). 10 day average for Jun 27. 1195.65 (1194.25)

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1108	1100	1115	1104
Sep	1128	1110	1128	1120
Nov	1142	1131	1148	1138
Jan	1162	1141	1160	1148
Mar	1182	1158	1179	1164
May	1195	1180	1195	1184

Turnover: 2431 (2758) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 24: Comp. daily 1979 115.51 (117.39); 15 day average 120.10 (120.41).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Aug	275.00	254.00	274.00	256.00
Oct	266.00	243.00	266.00	245.00
Dec	266.60	242.60		
Mar	259.00	237.00	259.00	240.40
May	255.60	234.50	255.00	238.60
Aug	254.00	233.00	254.00	
Oct	253.00	234.60	242.40	239.00

White	Close	Previous	High/Low	
Aug	296.00	274.00	284.00	274.00
Oct	290.00	268.00	290.00	267.50
Dec	280.00	268.00	286.00	266.00
Mar	291.60	269.00	290.60	272.00
May	291.00	269.00		

Turnover: Raw 6195 (2886) lots of 50 tonnes; White 826 (1942).
Paris- White (FFr per tonne): Aug 1670, Oct 1649, Dec 1653, Mar 1630, May 1635, Aug 1645

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	130.75	133.00	131.50	129.75
Aug	130.25	133.00	131.50	129.75
Sep	131.50	134.00	132.50	131.00
Oct	133.25	135.00	134.00	132.75
Nov	134.50	136.00	135.00	133.50
Dec	135.50	137.50	136.00	135.00
Jan	135.75	138.75		

Turnover: 7322 (3600) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jly	107.35	108.30	107.50	107.25
Sep	108.75	157.30	109.00	108.00
Nov	111.50	109.80	111.50	110.75
Jan	114.30	112.75	114.50	113.00
Mar	116.20	114.00	116.25	115.10
May	118.40	116.00	118.40	117.50

Barley	Close	Previous	High/Low	
Sep	102.00	101.90	103.00	102.50
Nov	100.00	105.00	106.25	105.50
Jan	108.80	107.85	108.85	108.60
Mar	110.75	109.85	110.85	110.80
May	112.50	111.50	112.50	112.20

Turnover: Wheat 312 (383). Barley 139 (143) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2910-30	2900-20		2900-20		
3 months	2760-80	2800-20		2775-95	2720-40	5,612 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 25,850 tonne
Cash	1660-5	1665-70	1650	1660-80		
3 months	1585-95	1598-9	1650/1550	1615-20	1575-6	52,062 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,850 tonne
Cash	1423-5	1388-400	1400	1402-4		
3 months	1333-5	1309-10	1340/1299	1316-7	1326-8	67,457 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1350-70	1315-35		1330-50		
3 months	1265-95	1260-70		1266-75		59 lots
Silver (US cents/fine ounce)						Ring turnover 70,000 ozs
Cash	679-82	680-3		680-1		
3 months	692-5	693-6	693	693-4	695-700	707 lots
Lead (£ per tonne)						Ring turnover 12,475 tonne
Cash	382-4	365-7	369	369-70		
3 months	378-9	360-1	380/363	363.5-4	375-6	12,832 lots
Nickel ($ per tonne)						Ring turnover 1,152 tonne
Cash	15625-725	14900-15000	15200	15200-300		
3 months	14900-5000	14400-500	15000/14440	14400-50	14800-900	5,783 lots
Zinc (£ per tonne)						Ring turnover 7,675 tonne
Cash	805-6	780-3	810	809-10		
3 months	771-2	748-9	772/766	771-2	771-2	22,942 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	93.0	100.0		
Feb	103.0	105.0		
Apr	139.4	156.5	146.0	139.0
May	150.0	167.8	154.5	150.0

Turnover: 1069 (572) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	213.00	198.50	212.50	210.30
Oct	212.50	197.50	213.00	197.20
Dec	214.00	200.00	212.50	210.50
Feb	214.10	203.00	214.10	212.00
Apr	214.50	203.00	213.50	

Turnover: 237 (407) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1208.5	1229.0	1225.0	1206.5
Oct	1350.0	1370.0	1385.0	1340.0
Jan	1375.0	1400.0	1389.5	1245.0
Apr	1407.5	1435.0	1420.0	1407.5
Jul	1215.0	1230.0	1215.0	
BFI	1238.5	1242.0		

Turnover: 444 (348)

TEA
There were 29,531 packages on offer including 5,800 offshore, reports the Tea Brokers Association. A good general demand. Selected best East Africans were again well supported at dearer rates but brighter medium sorts proved irregular and 3-7p lower, sometimes more. Plainer varieties were quite readily absorbed although prices tended 2-3p lower. Coloury Central Africans sold well at firm rates but plainer sorts were easier. There was rather less competition for Ceylons and apart from a few brighter teas which realised around last rates prices were 3-5p lower with plainest subscriptions unwanted. Offshore teas met good but irregular demand with price levels showing little change where sold. Quotations: quality 167p (158p), medium 97p (100p) low medium 76p (same).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	441½-442	258½-260
Opening	441¾-442¼	257½-258
Morning fix	442	357.351
Afternoon fix	443.3	259.846
Day's high	443¾-444¼	
Day's low	441½-442	
Coins	**$ price**	**£ equivalent**
US Eagle	455-460	267-270
Mapleleaf	455-460	267-270
Britannia	455-460	267-270
Krugerrand	440-443	258½-260½
1/2 Krug	233-242	136¾-142
1/4 Krug	116-123	67½-72¼
Angel	455-460	267½-270
1/10 Angel	47-52	27¾-30½
New Sov.	104-100	61-61¾
Old Sov.	104-100½	61-62
Noble Plat	570.35-6.95	332.65-396.6

Silver fix	p/fine oz	US cts equiv
Spot	402.60	684.25
3 months	412.50	697.70
6 months	422.70	711.05
12 months	444.25	741.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2700	220	328	48	227
2850	129	257	107	306
3000	57	200	195	397
Aluminium (99.5%)	**Calls**		**Puts**	
2700	180	284	65	240
2850	100	220	134	324
3000	49	168	233	419
Copper (Grade A)	**Calls**		**Puts**	
2150	240	224	14	113
2300	128	150	51	187
2450	55	97	128	281

US MARKETS

Despite lower temperatures, rainfall over the weekend was negligible in the mid-west U.S. and as a consequence, the grains and soybean complex finished sharply higher to limit-up as concern over crop damage reasserted itself, reports Drexel Burnham Lambert. Only Kansas city and Minneapolis wheat were trading below limit, as those markets saw some hedge selling and profittaking. Cattle and hogs were also sharply higher to limit-up, after a weak opening, as short-covering emerged to correct oversold situations and as packers were forced to resume buying after exhausting their stocks. Bellies rallied in sympathy, but were held back by continued heavy storage stocks. The precious metals traded narrowly, rallying in light volume on mixed, trade and local buying. Copper finished mixed, the main feature being the squaring of positions in the July contract, with spread activity into the September contract. Energy futures recovered from early weakness as fund buying and mixed short-covering pared losses after trade and local selling. Coffee rallied on short-covering, cocoa fell in response to the stronger U.S. dollar

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	443.0	443.0	443.7	442.0
Jul	443.4	443.5	0	0
Aug	445.9	446.0	447.2	443.9
Oct	451.0	451.1	452.2	448.8
Dec	456.1	456.2	457.6	454.0
Feb	461.5	461.4	0	0
Apr	466.8	466.7	466.5	465.5
Jun	472.2	472.1	471.5	471.5
Aug	477.7	477.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	555.1	556.8	562.0	553.5
Oct	560.9	561.1	567.8	560.0
Jan	567.1	567.3	573.0	568.5
Apr	574.1	574.3	0	0
Jul	581.8	581.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	683.6	680.0	683.0	683.0
Jul	684.0	681.0	695.0	682.0
Aug	689.1	685.9	0	0
Sep	703.9	690.5	704.0	692.8
Dec	718.9	705.3	719.5	707.0
Jan	723.8	710.5	715.5	713.5
Mar	734.3	721.0	735.0	724.0
May	744.8	731.3	737.0	737.0
Jul	755.8	742.3	751.8	745.0
Sep	766.7	753.4	760.0	760.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	108.00	108.00	108.50	108.00
Jul	104.15	104.50	105.50	103.90
Aug	101.20	100.50	0	0
Sep	96.20	97.00	98.00	95.80
Dec	90.40	89.30	91.50	89.00
Jan	88.10	87.30	0	0
Mar	83.90	83.30	85.00	83.60
May	87.40	80.80	82.50	82.00
Jul	80.00	79.50	0	0
Sep	79.00	78.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	15.86	16.01	15.92	15.75
Sep	16.08	16.27	16.20	16.02
Oct	16.29	16.48	16.39	16.22
Dec	16.65	16.70	16.66	16.48
Jan	16.58	16.75	16.65	16.53
Feb	16.60	16.77	16.66	16.60
Mar	16.65	16.80	16.66	16.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4225	4314	4290	4225
Aug	4270	4341	4320	4265
Sep	4360	4411	4385	4365
Oct	4460	4505	4480	4450
Nov	4550	4583	4560	4540
Jan	4680	4701	4680	4650
Feb	4675	4708	4680	4670
Mar	4535	4553	4540	4525
Apr	4435	4438	4435	4430

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1503	1527	1520	1490
Sep	1513	1547	1535	1500
Dec	1522	1558	1543	1511
Mar	1549	1585	1566	1540
May	1570	1608	1583	1570
Jul	1592	1634	1600	1595
Sep	1610	1657	1622	1610

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	132.55	132.30	133.40	131.90
Sep	133.78	133.38	134.70	132.91
Dec	134.53	134.48	135.70	134.00
Mar	134.50	134.90	135.65	134.50
May	134.88	134.70	135.00	134.80
Jul	135.38	135.50	136.50	135.50
Sep	135.00	136.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs.

	Close	Previous	High/Low	
Jul	11.96	10.86	11.96	11.15
Oct	11.70	10.73	11.80	11.10
Jan	10.85	10.35	10.85	10.80
Mar	10.99	10.49	10.99	10.95
May	10.88	10.38	10.88	10.80
Jul	10.87	10.37	10.87	10.65
Oct	10.80	10.80	10.60	10.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.80	66.10	68.85	67.80
Oct	67.05	65.05	67.05	65.50
Dec	65.70	63.70	65.70	65.00
Mar	66.50	64.50	66.50	65.60
May	66.85	64.85	65.85	66.79
Jul	66.90	64.95	66.95	66.00
Oct	66.25	64.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	186.25	181.25	189.90	181.35
Sep	182.80	179.25	184.25	179.75
Nov	174.80	170.30	175.30	171.75
Jan	168.40	165.85	169.40	168.00
Mar	167.90	165.25	169.25	165.25
May	166.95	164.25	0	0
Jul	166.95	164.10	0	0
Sep	166.95	164.10	0	0
Nov	166.95	164.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

June 24	June 23	mnth ago	yr ago
1976.8	1982.1	1799.0	1611.8

DOW JONES (Base: December 31 1974 = 100)

Spot	139.77	140.85	134.18	126.64
Futures	141.89	149.55	135.81	124.74

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	1059/4	1029/4	1059/4	1059/4
Aug	1055/0	1025/0	1055/0	1055/0
Sep	1041/0	1011/0	1041/0	1041/0
Nov	1022/0	992/0	1022/0	1022/0
Jan	1012/0	982/0	1012/0	1012/0
Mar	1002/4	972/4	1002/4	1002/4
May	980/4	950/4	980/4	980/4
Jul	972/0	942/0	972/0	972/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	32.30	31.30	32.30	32.30
Aug	32.55	31.55	32.55	32.55
Sep	32.67	31.67	32.67	32.67
Oct	32.75	31.75	32.75	32.75
Dec	32.87	31.87	32.87	32.87
Jan	32.55	31.55	32.56	32.55
Mar	32.25	31.25	32.25	32.25
May	31.70	30.70	31.70	31.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	320.7	310.7	320.7	320.7
Aug	313.2	303.2	313.2	313.2
Sep	310.2	300.2	310.2	310.2
Oct	307.7	297.7	307.7	307.7
Dec	304.2	294.2	304.2	304.2
Jan	300.0	290.0	300.0	300.0
Mar	294.0	284.0	294.0	294.0
May	293.0	283.0	293.0	292.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	352/4	342/4	352/4	352/4
Sep	357/4	347/4	357/4	357/4
Dec	362/6	352/6	362/6	362/6
Mar	362/6	352/6	362/6	362/6
May	362/4	352/4	362/4	362/4
Jul	356/0	346/0	356/0	356/0
Sep	308/0	298/0	308/0	308/0
Dec	282/4	272/4	282/4	279/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	400/4	380/4	400/4	394/0
Sep	408/6	388/6	408/6	402/0
Dec	421/4	401/4	421/4	414/0
Mar	421/4	401/4	421/4	413/0
May	408/0	388/0	408/0	408/0
Jul	382/4	368/0	385/0	376/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	64.15	62.77	64.27	62.30
Oct	64.97	63.47	64.97	63.20
Dec	68.97	67.47	68.97	67.30
Feb	71.82	70.32	71.82	70.10
Apr	74.35	72.85	74.35	72.85
Aug	72.85	71.50	72.90	71.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.82	44.17	45.67	43.85
Oct	43.80	42.30	43.80	42.30
Dec	47.07	45.57	47.07	45.65
Feb	01.10	49.60	51.10	50.00
Apr	50.55	49.05	50.55	49.50
Jul	49.20	44.92	46.25	44.70

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	39.62	38.25	40.00	37.60
Feb	62.07	60.07	62.07	59.75
Mar	61.40	59.40	61.40	58.62
May	61.35	59.35	01.35	61.20
Jul	39.05	38.20	39.55	37.60

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling weak on trade data

STERLING FELL to its lowest level since early March, following worse than expected trade figures. The May current account deficit widened to a record £1.21bn after a revised £728m shortfall in April. The latest figure was nearly twice the market's expectation, and sterling's initial reaction was to lose half a cent against the D-Mark and a cent in dollar terms.

The full extent of the day's decline meant that sterling slipped to an eight month low against the dollar, closing at $1.7030 from $1.7250 on Friday. With the dollar only slightly firmer on the day, the pound's losses against major European currencies were considerable. Against the D-Mark it fell to DM3.0975 from DM3.1375 and FFr10.4525 compared with FFr10.5475. Elsewhere it slipped to Y222.75, its lowest level since October 1986, and down from Y225.25 on Friday. Against the Swiss franc it fell to SFr2.5650 from SFr2.5975.

On Bank of England figures, the pound's exchange rate index was lower at 74.8, down sharply from 75.4 at the opening and 75.8 on Friday.

Higher domestic interest rates failed to provide much support even though yesterday's inter-bank rates were almost fully discounting a full one point rise in base rates.

The dollar failed to capitalise on a firmer trend established earlier in Tokyo, but still finished up from Friday. Its exchange rate index rose to 97.0 from 96.2 on Friday. Investors entered the market yesterday morning in London and took profits, reflecting a growing feeling that the dollar may have over reached itself - having risen over 2½ p.c. on its exchange rate index in the last two weeks.

There was also evidence that the US Federal Reserve Board intervened in a modest way by selling D-Marks. The dollar was barely changed against the West German unit at DM1.8185 from DM1.8190 and was steady in terms of the Swiss franc at SFr1.5055. However it was stronger against the yen at Y130.85 from Y130.60 and FFr6.1375 compared with FFr6.1150.

Earlier in the day, the dollar had already stalled, having failed to break resistance at DM1.8300. However, despite the later intervention, some dealers still expected the dollar's advance to continue.

The Bundesbank refrained from giving any support to the D-Mark during the morning in Frankfurt, but sold $24.5m at the fixing when the dollar rose to DM1.8235 from DM1.7970.

Elsewhere the D-Mark held above a support level of Y71.43 against the yen, opening at Y71.97, up from Y71.80 on Friday, and staying at that level for most of the day.

In Paris, the French franc slipped to a 10-month low against the dollar, but there was no intervention by the Bank of France. The D-Mark was fixed at FFr3.3889 up from FFr3.3851 at the start and FFr3.3846 at Friday's close. Dealers suggested that the franc's upward potential was limited by the recent increase in interest rate differentials between France and West Germany, and the possibility of higher West German rates after Thursday's central council meeting of the Bundesbank.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4442	+2.32	+1.09	±1.5344
Danish Krone	7.85212	7.87577	+0.30	-0.93	±1.5404
German D-Mark	2.05853	2.07517	+0.81	-0.42	±1.0981
French Franc	6.90403	6.99329	+1.24	+0.06	±1.3674
Dutch Guilder	2.31943	2.33861	+0.83	-0.40	±1.5012
Irish Punt	0.768411	0.771860	+0.45	-0.78	±1.6684
Italian Lira	1483.58	1537.37	+3.63	+2.98	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 27	Latest	Previous Close
£ Spot	1.7045-1.7050	1.7270-1.7275
1 month	0.25-0.24pm	0.16-0.16pm
3 months	0.85-0.82pm	0.665-0.65pm
12 months	3.05-2.95pm	2.68-2.63pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 27	Previous
8.30 am	75.4	76.0
9.00 am	75.5	76.0
10.00 am	75.4	75.9
11.00 am	75.3	76.0
Noon	75.0	75.9
1.00 pm	74.7	75.9
2.00 pm	74.8	75.9
3.00 pm	74.7	75.9
4.00 pm	74.8	75.8

POUND SPOT- FORWARD AGAINST THE POUND

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6955-1.7055	1.7025-1.7035	0.25-0.22cpm	1.66	0.86-0.81pm	1.96
Canada	2.0545-2.0785	2.0555-2.0565	0.12-0.02cpm	0.41	0.33-0.21pm	0.53
Netherlands	3.49¼-3.52¼	3.48¾-3.49½	1¾-1¼cpm	5.16	5-4¾pm	5.37
Belgium	64.65-65.75	64.85-64.95	23-8cpm	2.87	67-47pm	3.51
Denmark	11.74¼-11.90	11.75-11.76	⅝pm-⅛oredis	0.26	3-2¼pm	0.89
Ireland	1.1510-1.1640	1.1515-1.1525	0.14-0.22pdis	-1.88	0.53-0.65dis	-2.05
W. Germany	3.09½-3.13½	3.09½-3.10	1½-1pfpm	4.84	4½-4¼pfpm	5.89
Portugal	251.65-254.25	251.70-252.70	22-60cdis	-1.96	81-181dis	-2.08
Spain	204.55-207.35	204.65-204.95	13-24cdis	-1.08	27-41dis	-0.66
Italy	2295-2322½	2296½-2297½	par-5liredis	-1.31	1-8liredis	-0.78
Norway	11.23½-11.29½	11.24-11.25	3½-4oredis	-3.80	8¾-9¾dis	-3.29
France	10.44-10.56	10.44¾-10.45¾	2½-1¼cpm	1.87	6½-5¼pm	2.22
Sweden	10.65¼-10.76¾	10.66½-10.67½	⅜-1⅛odis	-1.42	1½-2¾dis	-0.78
Japan	222¼-225½	222¾-223¾	1¾-⅝ypm	4.71	3¾-2⅝pm	5.72
Austria	21.72-22.06	21.76-21.79	9½-8¼gropm	4.89	30¾-17⅝pm	4.45
Switzerland	2.56-2.59½	2.56-2.57	1½-1cpm	5.85	4¼-3⅝pm	6.14

Belgian rate is convertible francs. Financial franc 65.15-65.25. Six-month forward dollar 1.69-1.64cpm 12 month 3.00-2.90cpm

CURRENCY RATES

June 27	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.760745	0.670094
U.S Dollar	6	1.32712	1.13795
Canadian $	8.75	1.59639	1.38216
Austrian Sch.	3	16.7761	14.5965
Belgian Franc	6½	49.8599	43.4442

*All SDR rates are for June 24.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6955-1.7055	1.7025-1.7035	0.25-0.22cpm	1.66	0.86-0.81pm	1.96
Ireland†	1.4700-1.4810	1.4780-1.4790	0.07-0.14cdis	-0.86	0.19-0.29dis	-0.65
Canada	1.2040-1.2150	1.2070-1.2080	0.11-0.14dis	-1.24	0.42-0.45dis	-1.44
Netherlands	2.0445-2.0565	2.0490-2.0500	0.67-0.65cpm	3.85	1.79-1.75pm	3.44
Belgium	37.95-38.30	38.05-38.15	6.00-4.00cpm	1.58	17.5-13.5pm	1.57
Denmark	6.88-6.95	6.90-6.90½	0.20-0.70oredis	-0.78	0.90-1.40dis	-0.66

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.25-38.35.

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London looks for 10% base rates

LONDON INTERBANK rates closed yesterday sharply higher on the back of the poor trade figures for May and were discounting close on a full point rise in UK base rates. The Bank of England failed to signal any further rate rise, but the market is convinced that another increase cannot be long delayed.

UK clearing bank base lending rate 9 per cent from June 22

The key three-month rate opened at 9⅝-9½ p.c. and eased initially, before the trade figures were known, to a low of 9⅝-9½ p.c. before moving up to the day's high of 9⅞-9¾ p.c. in the afternoon, compared with 9⅜-9¼ p.c. on Friday. The one year rate rose to 10¼-10⅛ p.c. from 10¼-9⅞ p.c. Overnight money traded between a low of 6¾ p.c. and a high of 11 p.c.

The Bank forecast a flat position in the money market with bills maturing in official hands and repayment of late assistance, together with a take up of Treasury bills draining a nominal £4m. Exchequer transactions accounted for an additional £525m. These were offset by a fall in the note circulation of £415m and bank balances brought forward £115m above target.

There was no assistance offered by the Bank during the morning or afternoon. Late help came to £10m.

Rates also tightened in Frankfurt, partly because of a drain on liquidity, but also because many traders expected the Bundesbank to increase the discount rate after Thursday's meeting of the central council.

Call money was quoted as high as 4.05 p.c. against 3.85 p.c. on Friday as funds injected through state owned banks last week were drained from the market. The Bundesbank put up to DM1bn back into the market through the same system, but funds were drained to meet Government salary payments.

Liquidity levels were also strained by continued intervention by the Bundesbank, selling dollars and buying D-Marks.

Commercial bank's holdings with the central bank fell to DM52.9bn late last week, compared with DM55.2bn for the same period last month.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 27) 3 months US dollars		6 months US Dollars	
bid 7½	offer 7⅝	bid 7⅞	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8½
Fed.funds	7⅛-⅜
Fed.funds at intervention	7½

Treasury Bills and Bonds			
One month	5.83	Three year	8.23
Two month	6.24	Four year	8.41
Three month	6.73	Five year	8.51
Six month	7.11	Seven year	8.75
One year	7.50	10-year	8.89
Two year	8.07	30-year	8.91

June 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.85-4.00	4.10-4.25	4.15-4.30	4.30-4.45	4.50-4.65	4.50
Paris	7¼-7⅜	7½-7⅝	7½-7¾	7⅞-7¾	7¾-7½	7.00
Zurich	1½-1⅝	2⅞-3⅛	-	3-3½	-	-
Amsterdam	2-2½	3⅝-3⅞	-	4⅛-4¼	-	-
Tokyo	3.59375	3.96875	-	-	-	-
Milan	10-10½	10¾-11¼	-	11-11½	-	-
Brussels	5.10	5⅞-6¼	-	6-6⅛	-	-
Dublin	7-7¼	7⅛-7⅜	7½-7¾	7⅝-7⅞	8¼-8½	-

LONDON MONEY RATES

June 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	8¾	9½	9⅞	10⅛	10¼
Interbank Bid	6½	7⅞	9½	9⅝	9⅞	10⅛
Sterling CDs	-	-	9⅜	9⅝	10	10⅛
Local Authority Deps.	7⅞	0	9⅜	9½	9⅞	10¼
Local Authority Bonds	-	-	8	8⅞	9½	9¼
Discount Mkt Deps.	9	0	8¼	8⅞	-	-
Company Deposits	-	-	9	9⅝	10	10⅛
Finance House Deposits	-	-	9⅛	9⅝	10	10⅛
Treasury Bills (Buy)	-	-	9	9⅜	-	-
Bank Bills (Buy)	-	-	9⅛	9⅝	9⅞	-
Fine Trade Bills (Buy)	-	-	9⅞	10¼	10¼	-
Dollar CDs	-	-	7.65-7.60	7.70-7.65	7.80-7.75	-
SDR Linked Dep Offer	-	-	6⅛	6½	6⅞	6⅞
SDR Linked Dep Bid	-	-	6⅛	6⅜	6⅝	6⅝
ECU Linked Dep Offer	-	-	6⅜	6⅜	6⅞	6⅞
ECU Linked Dep Bid	-	-	5⅞	6⅝	6⅝	6⅝

Treasury Bills (sell): one-month 8¾ per cent; three months 9 per cent; Bank Bills (sell): one-month 8 11/16 per cent; three months 9⅛ per cent; Treasury Bills; Average tender rate of discount 9.0321 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1988. Agreed rates for period June 26,1988 to July 25, 1988, Scheme I: 9.37 p.c., Schemes II & III: 9.39 p.c. Reference rate for period April 30,1988 to May 31, 1988, Scheme IV & V: 8.114 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 0½ % from June 1, 1988; Bank Deposit Rates for sums at seven days notice 2.375 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 0¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 6 per cent from May 17,1988. Deposits withdrawn for cash 5.00 per cent.

FINANCIAL FUTURES

Gilt prices lose ground

LONG GILT and three-month sterling deposits were both sharply weaker in yesterday's Liffe market, following a larger than expected increase in May's UK trade deficit, and sterling's fall to its lowest level for over three months.

Gilt prices were depressed by the absence of a rise in base rates. The September price opened lower at 94-12, and sank to a low of 93-23, before closing at 93-30, down from 94-16 on Friday.

Trading volume was relatively high, with over 25,000 lots changing hands.

Three-month sterling reacted to a rise in cash rates - the latter all but discounting a full one point rise in base rates. The September price closed at 89.74 against 89.80 at the opening and 89.93 at the previous close.

US Treasury bonds lost ground as the dollar's failure to break through resistance levels encouraged investors to take profits.

However sentiment was helped by reports that the US Federal authorities were now unlikely to hold a 30-year bond auction in August, and contracts finished above the day's lows.

Three-month Euro-dollar deposits were lower, failing to hold a support level of 92.00 for September delivery. The contract opened at 92.07, which proved to be the day's high, and slipped to a low of 91.97 before closing at 91.99, down from 92.05 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	601	622	5	14
90	409	441	13	33
92	229	311	33	103
94	108	159	112	151
96	24	103	228	259
98	7	35	411	427
100	2	17	606	609

Estimated volume total, Calls 3467 Puts 6991
Previous day's open int. Calls 24664 Puts 33693

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	633	615	17	57
84	448	451	32	129
86	312	336	60	214
88	158	236	142	314
90	100	149	248	427
92	32	112	416	554
94	14	48	562	726

Estimated volume total, Calls 2 Puts 74
Previous day's open int. Calls 522 Puts 898

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements JUL	Calls-settlements AUG	Puts-settlements JUL	Puts-settlements AUG
17000	1581	1619	6	44
17500	1107	1186	32	111
18000	686	812	111	237
18500	363	515	288	440
19000	159	300	584	725
19500	56	159	981	1084
20000	16	77	1441	1502

Estimated volume total, Calls 0 Puts 10
Previous day's open int. Calls 3 Puts 39

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-settlements JUL	Calls-settlements AUG	Puts-settlements JUL	Puts-settlements AUG
155	—	—	—	—
160	1025	1025	2	25
165	535	585	28	104
170	184	276	177	295
175	33	101	526	620
180	3	28	996	1047
185	0	6	1493	1525

Estimated volume total, Calls 176 Puts 0
Previous day's open int. Calls 661 Puts 25

LIFFE EURODOLLAR OPTIONS £1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9100	102	84	3	23
9125	79	67	5	31
9150	59	51	10	40
9175	40	38	16	52
9200	25	28	26	67
9225	15	19	41	83
9250	8	12	59	101

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1094 Puts 1518

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8900	—	—	—	—
8925	70	82	21	27
8950	53	66	29	36
8975	38	51	39	46
9000	27	39	53	59
9025	17	28	68	73
9050	11	20	87	90

Estimated volume total, Calls 529 Puts 1119
Previous day's open int. Calls 9138 Puts 6854

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.700	2.01	2.80	13.53	4.77	1.63	2.67	3.74	5.74
1.725	1.00	1.80	2.47	3.72	3.20	4.11	5.17	7.12
1.750	0.45	1.06	1.71	2.86	5.07	5.96	6.83	8.70
1.775	0.30	0.57	1.11	2.16	7.28	7.94	8.70	10.42
1.800	0.02	0.30	0.68	1.63	9.59	10.12	10.73	12.25
1.855	-	0.09	0.38	1.18	11.98	12.42	12.85	14.20
1.850	-		0.20	0.83	14.45	14.75	15.12	16.27

Previous day's open int: Calls 447,867 Puts 441,845
Previous day's volume: Calls 18,507 Puts 30,847

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.65			19.05				0.95	
1.70	2.80	2.85	4.40	9.90	1.75	3.70	1.50	3.60
1.75	1.55	1.20	2.40	2.90	5.30	5.05	6.10	6.00
1.80	1.15	1.10	1.50	2.80	8.60	9.10	9.85	11.35
1.85	0.30	0.65	0.55	1.50	6.80	7.15	14.10	15.60
1.90	0.30	0.30	0.40	1.10	11.60	11.60	11.70	12.20
1.95	0.30	0.30	0.40	1.30	16.40	16.40	11.40	17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 461 Puts 180

LONDON (LIFFE)

20-YEAR NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	117-28	118-19	118-02	118-13
Sep	93-30	94-26	93-23	94-16

Estimated Volume 28499(33225)
Previous day's open int. 37458(36890)

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	94-26	94-27	94-23	95-06
Sep	94-02	94-18	93-31	94-14

Estimated Volume 147(69)
Previous day's open int. 2775(2711)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	101.93	101.95	101.75	103.15
Dec	101.13			102.35

Estimated Volume 578(469)
Previous day's open int. 649(612)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.74	89.95	89.64	89.93
Dec	89.80	89.93	89.71	89.86
Mar	89.93	89.99	89.80	89.89
Jun	89.95	89.99	89.84	89.91

Est. Vol. (inc. figs. not shown) 23237(17860)
Previous day's open int. 27928(26875)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Jun	184.65	186.90	183.60	186.30
Sep	185.75	187.50	184.70	187.30
Dec				

Estimated Volume 3133(2024)
Previous day's open int. 10987(10809)

THREE MONTH EURODOLLAR £1m points of 100%

US TREASURY BONDS 8%

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7030	1.7007	1.6947	1.6864	1.6735

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Sep	1.6958	1.6980	1.6894	1.7182
Dec	1.6868	1.6880	1.6780	1.7092
Mar	1.6800	-	1.6700	1.7024

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	88-05	89-06	88-03	88-18
Dec	87-09	88-09	87-07	87-22
Mar	86-15	86-18	86-13	86-27
Jun	-	-	-	86-01
Sep	-	-	-	85-08
Dec	-	-	-	84-17
Mar	-	-	-	83-27
Jun	-	-	-	83-07
Sep	-	-	-	82-20
Dec	-	-	-	81-02
Mar	-	-	-	81-17

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	93.30	93.34	93.29	93.38
Dec	93.03	93.08	93.03	93.10
Mar	92.86	92.87	92.86	92.91
Jun	92.72	92.73	92.71	92.77
Sep	92.61	92.61	92.60	92.65
Dec	92.51	92.51	92.51	92.55
Mar	-	-	-	92.47

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6716	0.6724	0.6686	0.6724
Dec	0.6788	0.6795	0.6757	0.6800
Mar	0.6855	-	0.6825	0.6865

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7709	0.7714	0.7679	0.7736
Dec	0.7766	0.7772	0.7740	0.7793
Mar	0.7828	-	0.7800	0.7853
Jun	0.7890	-	0.7885	0.7920

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5546	0.5555	0.5524	0.5561
Dec	0.5591	0.5599	0.5560	0.5605
Mar	-	-	-	0.5651

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	91.98	92.02	91.97	92.05
Dec	91.61	91.63	91.59	91.67
Mar	91.39	91.41	91.38	91.45
Jun	91.22	91.23	91.21	91.28
Sep	91.07	91.09	91.06	91.13
Dec	90.95	90.97	90.95	91.01
Mar	90.86	90.88	90.85	90.91
Jun	90.79	90.80	90.77	90.83

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	273.65	274.00	272.80	275.20
Dec	275.88	276.10	275.00	277.40
Mar	277.20	-	277.20	278.90
Jun	279.20	-	279.20	280.80

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 46,304

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	9
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Coutts & Co	9	R. Raphael & Sons	9
Associates Cap Corp	10	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
Authority Bank	9	Dunbar Bank PLC	9	Royal Bk of Scotland	8½
B & C Merchant Bank	9	Duncan Lawrie	9	Royal Trust Bank	9
Banco de Bilbao	9	Equatorial Bank plc	9	Smith & Williamson Secs.	9
Bank Hapoalim	9	Exeter Trust Ltd	9½	Standard Chartered	9
Bank Leumi (UK)	9	Financial & Gen. Sec	9	TSB	9
Bank Credit & Comm	9	First National Bank Plc	8½	UDT Mortgage Exp	§9.4
Bank of Cyprus	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Ireland	8½	Robert Fraser & Ptnrs.	10	United Mizrahi Bank	9
Bank of India	9	Girobank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	Grindlays Bank	9	Western Trust	9
Banque Belge Ltd	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Barclays Bank	8½	HFC Bank plc	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	● Hambros Bank	9	Yorkshire Bank	9
Berliner Bank AG	9	Heritable & Gen Inv Bk	9		
Brit Bk of Mid East	9	● Hill Samuel	§9		
● Brown Shipley	9	C. Hoare & Co.	9		
Business Mtge Tst.	9½	Hongkong & Shangh	9		
CL Bank Nederland	9	Lloyds Bank	9		
Central Capital	9	Meghraj Bank Ltd	9		
● Charterhouse Bank	9	Midland Bank	8½		
		Mount Bankg Corp.	9		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.46% Savewise 6.66%. Top Tier-£10,000+ instant access 8.53% ‡ Mortgage base rate. § Demand deposit 3.91%. Mortgage 9.125% - 9.5%

Art Galleries

KRANE KALMAN GALLERY 178 Brompton Rd SW3. 584 7566. Monet, Boudin, Chagall, Van Dongen, Seurat, also important work by Sutherland, Wyndham Lewis, Lowry, Ben Nicholson, Wallis, Nicholson etc. Mon - Fri 10-6 Sat 10-4

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) in NITTO BOSEKI CO., LTD

NOTICE IS HEREBY GIVEN that the Company hereby terminates the Deposit Agreement dated 4th June, 1982 between Nitto Boseki Co., Ltd. (the "Company") and Citibank, N.A., pursuant to Condition 22 of the Schedule to the Deposit Agreement.

CITIBANK, N.A., London Depositary

June 28, 1988.

Automated Manufacturing

The Financial Times proposes to publish this survey on:

28th JULY

For a full editorial synopsis and advertisement details, please contact:

HEYRICK SIMMONDS on 01-248 8000 ext 4540

or write to HIM at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Capital	253 8	270.3	-2.4	5.95
Balanced	416.5	443 6xd	-4.0	3.25
Accumulator	643 4	695.2	-6 0	3.18
Income Trusts				
American Income	28 7	30.6	-0 4	3 95
High Income	295.4	315.7	-3 5	4 70
Equity Income	177 2	188 1	-1.3	4 74
High Yield	174 3	185 6	-1.9	5.03
Govt Securities	30 0	31.0	-0.2	8.03
International Trusts				
Amer Spec Sits	62.6	66 7	+1 1	1.59
European Growth	18.0	19 5	-0.1	2.30
International	92.9	98 9	+0.5	1.00
Japan	140.27	149.3	+0.5	0 01
Pacific	222 4	236.9xd	-0 5	0 19
Secs of America	188.5	200 8xd	-2.9	0 86
W'wide Asset Val	26.9	28 6	+0.1	1 05

Bishopsgate Progressive Mgmt Co
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc.	15 49	16.35	-	1.31
Progressive Acc.	21 75	22 95	-	1.31
International Inc.	16 00	16 89	-	1.70
International Acc.	19 85	20 95	-	1 70
Can & Foreign Inc	186 2	196 5	-	0 93
Can & Foreign Acc.	207.5	119 0	-	0 93
Special Sits Inc.	164 1	173 7	+2 8	2.36
Special Sits Acc	164.1	173.7	-2.8	2.36

Brewin Dolphin Unit Tst Mgrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	192.0	204 3	--	1.53
Brewin Dividend	101 8	108.3	--	5 63
Brewin Int Gth Inc.	216 9	230 8	--	3.55

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

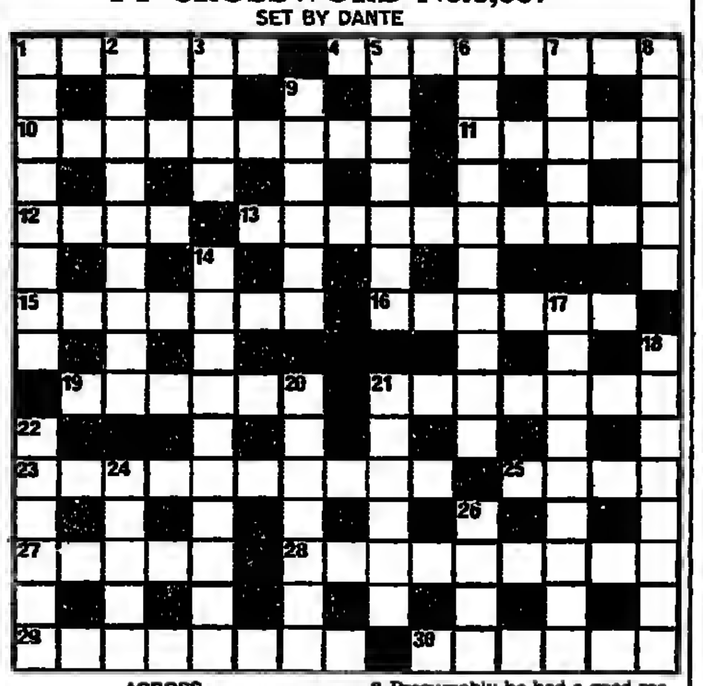
FT 30	FTSE 100	WALL STREET
Jun 1468/1477 -15	Jun. 1841/1851 -15	Jun 2128/2140 -12
Sep. 1476/1485 -15	Sep. 1852/1862 -14	Sep 2135/2147 -11

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,667

SET BY DANTE



ACROSS
1 Fancied the cheaper sort of cigarettes (6)
4 Reg gets entangled with metal wire (8)
10 Beneficial, though self-contradictory in parts (9)
11 Young swimmer in wild revel (5)
12 Top primate gets the vote (4)
13 Perhaps a party ends a school occasion (7.3)
16 Bent bar held as a weapon (7)
16, 19 Unlawful gatherings? (6.6)
21 It clears the vision, but deceives the judgment (7)
23 Revised share-out I'd sanctioned (10)
25 Vagrant joins fireside circle (4)
27 Got down to making a proposal? (5)
28 Criminal intended to limit one's credit (9)
29 A short verse on the Shannon river (8)
30 Change from evil past or heartless present (6)

DOWN
1 Banks have ways to avoid a row (3-5)
2 Jack's screwdriver? (9)
3 A vessel that has been taken out of the water (4)
5 Odds on the Spanish teams (7)
6 Designed steel-cored conductors of current (10)
7 Went abroad from Dover (5)
8 Presumably he had a good reason for being late (6)
9 Dramatist in conflict about method of payment (6)
14 Cheer pilot manoeuvring hovercraft (10)
17 In a way are able to give further details (9)
18 It may control the oven, cooking the roast (8)
20 It describes event of world-shaking importance (7)
21 Very strange verse on love (4,2)
22 Means of raising a pound for a villainous fellow (6)
24 Unit for heating the small room (5)
26 The charge is about right, but you don't have to pay (4)

Solution to Puzzle No.6,666

For EBC Amro see Dunmell Trust Mngt.

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks. 0296 394000

American Eagle	66.5	70.8xd	-1.2	1.16
Australian	8.2	8.0	-0.1	0.10
Commodity	82.0	87.4	-1.0	1.03
Convertible	149.3	158.6	-1.4	5.51
Equity	144.9	154.4xd	-1.4	3.18
Euro Spec Sits.	80.4	85.3	+1.6	1.27
Financial	31.3	33.5	-0.5	1.89
Global Opps Inc	57.9	61.5	-0.7	1.41
Global Opps Acc.	57.9	61.5	-0.7	1.41
Gold Income	56.1	59.8	+0.5	0.85
Gold Acc.	103.4	110.1	+0.6	0.85
Income	106.3	113.2xd	+0.7	4.77
Japan	123.2	130.6	+0.2	0.10
Pacific Income	117.7	125.0	+0.1	0.85
Pacific Re Inv.	146.0	155.0	+0.2	0.85
Preference Shares	25.5	27.2	+0.1	6.72
Special Sits.	101.6	107.5	+0.6	0.58
Technology	43.0	45.8	-0.8	0.10
UK Capital	90.0	95.0	-0.6	1.27
World Income	51.4	54.7	-0.2	6.18
Worldwide Capital	147.5	156.9	-0.1	1.14
Equity Exempt	111.0	118.1xd	—	1.54
Eq 4F Exempt Acc.	211.5	225.1	—	1.34

Templeton Investment Mngmt
20 Copthall Avenue, EC2R 7PA. 01-588 6064
Intl Pen & Ch Inv. 89.7 93.4xd

Thornton Unit Managers Ltd
53 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps.	40.2	42.9	+1.1	1.28
(Accum Units)	41.0	43.7	-1.0	1.28
European Opps	42.8	45.7	+0.7	1.03
Far Eastern Opps.	86.0	91.7	+0.8	0.95
(Accum Units)	86.2	91.9	+0.7	0.95
Golden Opps.	36.8	39.5	+0.3	1.13
Intl Hi-Yield	45.7	48.7	+0.2	4.05
Japanese Opps.	59.2	63.1	+0.2	0.89
(Accum Units)	59.2	63.1	+0.2	0.89
Kangaroo	32.3	34.7xd	-0.1	1.29
Oriental Income	29.5	31.5	—	1.95

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	269.1	283.3	.....	–
Man Pens Inc G Cap Fds.	344.6	362.8	.....	–
Money Fund	112.9	118.9	.....	–
Pens Mngd Fd (Unit)	89.1	93.8	.....	–
Pens Mngd Fd (Acc)	102.0	107.4	.....	–
Pens FT30 Fd (Unit)	129.5	136.4	.....	–
Pens FT30 Fd (Acc)	140.2	156.0	.....	–
Pens O'seas MgFd(Unit)	58.8	61.9	.....	–
Pens O'seas MgFd(Acc)	67.3	70.9	.....	–
Pens Fxd Int Fd (Unit)	107.3	113.8	.....	–
Pens Fxd Int Fd (Acc)	122.8	129.3	.....	–
Pens Deposit Fd (Unit)	101.4	106.8	.....	–
Pens Deposit Fd (Acc)	116.1	122.3	.....	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	99.0	105.0	.....	–
Building Soc. Fd	161.0	170.0	.....	–
Balanced	244.0	257.0	.....	–
Deposit	161.0	170.0	.....	–
European	126.0	133.0	.....	–
GT Managed	153.0	162.0	.....	–
Gartmore Mngd	102.0	108.0	.....	–
German	91.0	96.0	.....	–
Gilt	170.0	179.0	.....	–
High Inc.	115.0	122.0	.....	–
International Equity	156.0	165.0	.....	–
Japan	221.0	233.0	.....	–
Managed	55.0	58.0	.....	–
Property	256.0	270.0	.....	–
R. W. Imperial Gold	133.0	140.0	.....	–
UK Equity	323.0	340.0	.....	–
Pension Funds				
American	121.0	128.0	.....	–
Building Soc. Fd	153.0	162.0	.....	–
Balanced	187.0	197.0	.....	–
Deposit	151.0	159.0	.....	–
European	124.0	131.0	.....	–
GT Managed	163.0	172.0	.....	–
Gartmore Mngd	99.0	105.0	.....	–
German	86.0	91.8	.....	–
Gilt	143.0	151.0	.....	–
International Equity	115.0	122.0	.....	–
Japan	131.0	138.0	.....	–
Managed	55.0	58.0	.....	–
Property	194.0	205.0	.....	–
UK Equity	281.0	296.0	.....	–

Prolific Life & Pensions Ltd (z)
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fd	508.1	536.1	+1.5	–
Cash Fd	217.6	229.3	+0.0	–
Property Fund	258.9	272.9	+0.0	–
Equity Fund	564.5	594.3	+2.4	–
Fxd Int Fund	288.4	303.9	–0.2	–
International	243.9	257.1	+2.4	–
High Income	415.7	438.1	–3.0	–
Far East	370.3	394.0	–6.4	–
North American	224.3	236.4	+6.0	–
Special Sits	492.8	519.3	+0.0	–
Technology	234.6	247.3	+3.1	–
Extra Inc Fd	239.7	252.6	–2.1	–
Convertible & Gilt Fd.	150.7	150.9	+0.1	–
American Income	106.5	112.3	+2.2	–
Gilt Fund 70	294.5	311.4	–2.0	–
European Fund	81.3	85.7	+1.2	–
Pref & Fixed Int.	97.4	102.7	–0.8	–
Managed Pens. Acc.	472.2	497.1	+0.9	–
Building Soc. Acc.	218.1	229.6	+0.0	–
Property Pens. Acc.	258.0	271.6	+0.0	–
Fix Int Pens. Acc.	348.5	366.9	–1.1	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	437.9	461.0	–2.6	–
Equity Fd.	881.2	927.8	–8.9	–
Intnl. Fd.	312.6	329.1	+1.2	–
Fixed Int. Fd	363.2	382.6	–1.2	–
Prop. Fd	325.8	342.8	.....	–
Cash Fd	237.6	250.2	+0.2	–
Pacific Basin Fd.	176.3	185.0	+0.1	–
North American Fd	128.8	134.8	+0.4	–
European Fd.	130.0	136.9	+1.3	–
Holborn Balanced Gwth Fd.	101.9	107.3	–0.5	–
Holborn Strategic Gwth Fd.	100.5	105.8	+0.6	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	477.3	502.7	–2.8	–
Equity	686.0	722.2	–7.6	–
Global Equity	200.6	211.2	+1.2	–
Fixed Interest	374.3	394.1	–1.6	–
Property	319.5	336.4	.....	–
Cash	141.1	148.6	–0.1	–
Index Linked Gilt	166.1	174.9	–0.9	–
Guaranteed	0.56		.....	–
International Money	185.8	195.6	–0.1	–
North American Fd	57.7	60.8	+1.0	–
Japanese Fund	122.8	129.3	–0.2	–
European Fund	70.5	74.3	+1.3	–
Special Situations Fd.	97.3	102.5	–1.4	–
Communications Fund	85.6	90.2	.....	–
Smaller Cos Fund	99.7	105.0	–0.1	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretionary June 23	£128.69	132.38	.....	–
Equity Fund June 23	£140.62	144.85	.....	–
Intntl Fund June 23	£21.00	21.70	.....	–
Intl Bond Fd June 23	£10.40	10.54	.....	–
Fixed Int June 23	£68.59	69.50	.....	–
Index Linked June 23	£53.06	53.72	.....	–
Property Fund Jun 23	£87.36	92.06	.....	–
Cash Fund June 23	£18.7300	18.7300	.....	–
Pru-Linked Retirement Plan				
Managed Fd Jun 22	322.1	335.6	.....	–
Cash Fund Jun 22	176.7	184.1	.....	–
Prudential Pensions Investment Account				
Pens Man Fd Jan 27	133.1	140.2	–0.6	–
Pens UK Eq Fd Jan 27	246.5	259.5	–0.1	–
Pens Int Fd Jan 27	152.5	160.6	+0.9	–
Pens Fxd Jan 27	156.4	164.7	+0.9	–
Pens Index Lk Jan 27	131.4	138.4	–0.5	–
Pens Cash Fd Jan 27	115.7	121.8	.....	–

Regency Life Assurance Co Ltd
55-57 High Holborn, London WC1V 6DU 01-831 7483

Aggressive Ptflio Fd	110.3	116.1	.....	–
Balanced Ptflio Fd	289.5	304.7	.....	–
Cautious Ptflio Fd	117.0	123.1	.....	–
Elite Fund	102.1	107.4	.....	–
European Fund	68.1	71.6	.....	–
Far East Fund	100.4	134.0	.....	–
Fixed Interest Fund	237.9	250.4	.....	–
International Fund	225.2	237.0	.....	–
Money Fund	164.7	173.4	.....	–
N American Fd	92.1	96.9	.....	–
Property Fund	423.7	445.9	.....	–
UK Equity Fd.	350.4	368.8	.....	–
A I M Brwn Shipley Gt Fd.	86.4	90.9	.....	–
Ashlands Sel. Inv. Fd.	107.9	113.6	.....	–
Chart Safety First Bd	111.9	117.8	.....	–
Continent Fund	71.3	75.1	.....	–
Exec Master Fd	83.7	90.2	.....	–
Hardwick Growth Fd.	103.7	109.2	.....	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100¼	99¾	Treas. 9½pc '88	99¾	–⅛	9.51	9.60
102[illegible]	100[illegible]	Treas 11½pc 1989	100[illegible]	–[illegible]	11.38	9.74
101[illegible]	99[illegible]	Treas 9½pc Cap 1989	99[illegible]	–[illegible]	9.52	9.67
97[illegible]	95[illegible]	Treas 3pc 1989	96[illegible]		3.10	6.71
102[illegible]	100[illegible]	Treas 10½pc 1989	100[illegible]	–[illegible]	10.44	9.86
102	100[illegible]	Exch.10pc 1989	100[illegible]	–[illegible]	9.99	9.90
103[illegible]	101[illegible]	Exch 11pc 1989	101[illegible]	–[illegible]	10.87	9.93
97[illegible]	95[illegible]	Treas 5pc 1986–89	96[illegible]	–[illegible]	5.20	8.17
104[illegible]	101[illegible]	Exch 10¼pcCv '09	101[illegible]	–[illegible]	10.13	9.27
107[illegible]	104[illegible]	Treas 13pc 1990‡‡	104[illegible]	–[illegible]	12.46	9.88
104[illegible]	101[illegible]	Exch 11pc 1990‡‡	101[illegible]	–[illegible]	10.82	9.86
107[illegible]	103[illegible]	Exch. 12½pc 1990	103[illegible]	–[illegible]	12.02	9.90
93[illegible]	91[illegible]	Treas. 3pc 1990	91[illegible]	–[illegible]	3.27	7.77
99[illegible]	98[illegible]	Treas 8¼pc 1987–90‡‡	98[illegible]	–[illegible]	8.40	9.28
102[illegible]	98[illegible]	Treas. 8pc Cv 1990 ‡‡	98[illegible]	–[illegible]	8.15	9.03
103[illegible]	100[illegible]	Treas. 10pcCv 1990	100[illegible]	–[illegible]	9.98	9.87
91[illegible]	88[illegible]	Exch 2½pc 1990	89[illegible]	–[illegible]	2.81	7.53
107[illegible]	104[illegible]	Treas 11¾pc 1991	104[illegible]	–[illegible]	11.28	9.84
95[illegible]	92[illegible]	Funding 5¾pc '87–91‡‡	92[illegible]	–[illegible]	6.20	0.75
90[illegible]	87[illegible]	Treas. 3pc 1991	87[illegible]	–[illegible]	3.41	7.79
105[illegible]	101[illegible]	Treas 10pc Cv '91 ‡‡	101[illegible]	–[illegible]	9.86	9.43
107[illegible]	103[illegible]	Exch. 11pc 1991	103[illegible]	–[illegible]	10.66	9.83
98[illegible]	95[illegible]	Treas. 8pc 1991	95[illegible]	–[illegible]	8.42	9.71
113[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	108[illegible]	–[illegible]	11.73	9.81
104[illegible]	100[illegible]	Treas 10pc 1992	100[illegible]	–[illegible]	9.95	9.81
98[illegible]	94[illegible]	Treas 8pc 1992 ‡‡	94[illegible]	–[illegible]	0.45	9.70
106[illegible]	102[illegible]	Treas 10½pc Cv 1992‡‡	102[illegible]	–[illegible]	10.29	9.85
86[illegible]	83[illegible]	Treas. 3pc 1992	84[illegible]	–[illegible]	[illegible]	7.70
112[illegible]	107[illegible]	Exch. 12¼pc '92	107[illegible]	–[illegible]	[illegible]	9.89
117[illegible]	112[illegible]	Exch 13½pc 1992	112[illegible]	–[illegible]	[illegible]	9.89
40[illegible]	38[illegible]	Treas. 0¼pc 1993 (40)M.	38[illegible]		8.7[illegible]	9.81
105[illegible]	100[illegible]	Treas 10pc 1993‡‡	100[illegible]	–[illegible]	9.[illegible]	9.80

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28¼	21¼	Tenneco $5	28¼	–1	$3.04	–	5.9
28¾	19½	Texaco $6.25	28¼	+¼	♦$3.00	–	5.8
58¾	43¼	Time Inc. $1	58¼	+2	$1.00	–	0.9
20¾	13¾	Transamerica $1	20¼	+½	$1.84	–	5.0
10½	754p	Transworld Corp $5	10¾	+¼	20c	–	1.1
20¾	14½	TRIROV4 Corp	17¾	+¼	56c	–	1.7
19	13¾	USX $1	19	+⅛	$1.20	–	3.5
23	17¾	Utd Technologies	12¾	+¼	$1.60	–	3.9
32¾	26¼	US West‖	32¾	+½	$3.52	–	3.9
21¼	16¾	Waste Management $1	11¼	+¼	48c	–	1.2
16¼	12¾	Whirpool $1	16¼	+¼	$1.10	–	3.7
32	18¼	♦Woolworth $3½	31¾	+¼	$1.64	–	2.8

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	194p	+4	–	–	–
32p	11p	♦Abbot Energy Corp	26p	+1	–	–	–
14¼	990p	♦Amer Barrick Res	12¼		–	–	–
10p	3½p	American Lightwave	5p	–1	–	–	–
47p	18¾p	♦Armeno	24p	+1	–	–	–
76p	45p	Augmitto Expln	67p		–	–	–
13¼	10¾	Bk Montreal ‖	13¼	–¼	$2.00	–	6.7
674p	514p	Bk Nova Scot ‖	674p	+9	76c	–	3.0
18	15¼	BCE ‖	18	+¼	$2.44	–	6.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ≠ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	70	......
Craig & Rose £1.. γ	780xd	......
Finlay Pkg. 5p.... γ	85	+4
Holt (Jos) 25p..... γ	£11¾	......

IRISH

Nat. 9¾ % 84/89..	£100¾	......
9pc Cap Ln. 1996..	£98¾	......
Fin. 13% 97/02..	£119	......
Arnotts.............. γ	390	−20
CPI Hldgs............ γ	110	......
Carrol Inds........... γ	150xd	......
Hall (R. & H.)......	160	......
Heiton Hldgs........ γ	52	......
Irish Ropes........... γ	165	......
Unidare............... γ	410	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	38
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	13
Brit Petroleum	24
Burmah Oil	38
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 20	Jun 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25
Jul 18	Jul 28	Jul 29	Aug 8

*New time dealings may take place from 9.00 am two business days earlier.

Equities and Gilt-edged fall heavily after news of UK May trade deficit

A SHARP deterioration in the UK trade figures for May knocked the legs from under the London securities markets yesterday. Government bonds and equities fell sharply as sterling plunged on the news of deficits of £1.7bn on visible trade and £1.2bn on current account, both nearly twice the size predicted in the City.

The stock market was thrown into a frenzy of excitement by the trade deficit announcement, and share prices spiralled downwards in a virtual free-fell. However, selling was restraioed hy the speed with which marketmakers cut their price quotations.

Any potential benefits to export profits from the falling pound were outweighed by the realisation that UK domestic rates will be forced higher to protect the currency. Rates are expected to rise very quickly, possibly even today, and the only questioo posed in the stock market yesterday was: "By bow much?"

Short-dated Gilts, taking their cue from the London money markets, appeared to be fully discounting a half point rise to 9½ per cent in UK base rates, and indeed, "partly discounting a full point hike", commented Mr John Shepperd of Warburg Securities.

Equities, already weakening ahead of tbe trade figurea announcement which came at 11.30am, dropped like a stone after the news, as prices were marked sharply lower.

With the Seaq screens carrying the "fast markets" warning – implying that marketmakers' quotations were not firm dealing prices – the market quickly fell by a net 36.4 points on the FT-SE scale.

The fall was universal, encompassing both the international stocks, which could benefit from lower sterling, and the property and consumer sectors which are likely to be hurt by higher interest rates.

At one stage, every stock in the FT-SE 100 list showed a loss on the day. It was well-nigh impossible to sell shares during the rout, however, and the market fell quiet as it watched the foreign exchange and bond markets.

The blue chips tried to rally, on consideration of the implications for export sales of the falling pound, but were inhibited by a poor start on Wall Street.

At the close, the FT-SE 100 Index was e net 29.8 down at 1841.5, exactly matching the close on June 9, and thus eliminating the gain prompted by the recent advance in the US securities markets.

Turnover, as reflected by e Seaq share volume of 390.7m shares, was not heavy by recent standards, and bore witness to the speed with which prices were marked down by marketmakers.

The sbock was all the greater in Gilts, since prices had opened firmer as some traders closed positions after the market's weakness on Thursday and Friday.

The sector quickly turned down on the trade figures news. "Any move in the trade deficit above £1bn was bad news for the market", said one dealer. The bond market would regard a move to base rates above 9 per cent as a significant tightening in monetary policy.

By the close, falls in long-dated Gilts ranged to a full point, with the mediums down by ⅞ and the shorts nearly half a point off.

With prices moving at speed, it was difficult for the investment institotions to sell stock, and most were content to keep ont of the market. Prices were led down by the bond futures quotations on the London International Financial Futures Exchange

A single firm exception in Gilts was Redemptioo 3 per ceot 1986-96, which moved higher, responding to the Bank of England's proposal to redeem the stock.

British Aerospace were marked down 10 to 397p as dealers reacted cautiously to the crash of an A320 Airbus at Mulhouse, France on Sunday - Aerospace has a 20 per cent stake in the A320 project and manufactures the wings. Any reduction in orders for the A320 would cut its future earnings, bnt analysts were warning investors to wait for the outcome of the official accident investigation.

The relatively high passenger survival rate at Mulhouse helped to restrain the opening price fall, while subsequent sterling weakness protected Aerospace from the worst of the day's losses. The shares ended at 399p, down 8 on the day in turnover of 3.3m.

British Airways (BA) shares also lost altitude on news that the company had temporarily grounded its two operational A320's pending investigation of the Mulhouse crash. After opening 7 lower at 143p, the shares were lifted by the settlement of BA's booking dispnte with US rival American Airlines and traded better through the day before ending 3 lower at 147p.

Cadbury Schweppes suffered as professional operators, worried by the surrounding market weakness, scampered to reduce their trading positions. It was one-way traffic for most of the session, hut relief arrived late when a leading house bought heavily into traded options and the shares rallied to close 12 down at 407p, after 403p.

Other speculative fevonrites were caught in the backwash and RHM fell 12 to 383p. S & W Berisford, which announced fresh developments in its planned restructuring programme, remained at 345p.

Yale & Valor (Y&V), the diversified electronics and security group, jumped 30 to 331p in early trading as dealers reacted to rumours that a declarable stake may have been built in the company. According to one trader, the rumours began amid persistent buying of Y&V shares last week, but hardened yesterday.

Mr Michael Montague, chairman of Y&V, commented "I don't know if someone will declare a stake, bnt I do know that 4.9 per cent of our shares were bought last week and most have been registered in nominee names. There was more buying today." He edded that Y&V had contacted the nominees to ask them to reveal their identities - in the past both the Kuwait Investment Office and the State of Brunei are thought to have bought Y&V shares under nominee names.

Companies mentioned in the market as possible stakebuilders included Racal and Williams Holdings. Mr Montague described the prospect of Racal being the stakebuilder as "extremely unlikely". Mr Tim Allen, director of corporate finance at Williams Holdings, responded to questions by saying, "absolutely no comment". Y&V shares closed 20 better at 321p.

The twin depressants of plunging equities and a bearish picture for crude oil prices – which gave ground yesterday on talk of further discounting by Saudi Arabia – triggered widespread losses throughout oil and gas issues.

BP, still upset by the recent downgrading of dividend forecast by Kleinwort Grieveson, the UK securities house, showed the "old" sold down to 250p before settling 4½ off at 252½p on turnover of 4.8m. The "new" retreated 2 to 60½p with 8.5m traded. Shell, however, held aronnd 1067p with US support said to have been generated by Kleinwort's recommendation to switch from BP to Sbell. British Gas gave up 3½ to 183p on turnover of 6.4m shares.

Takeover favourites Enterprise and LASMO came under pressure with the latter 13 off at 444p and the former 11 down at 475p. International stocks generally moved down with the market, although major dollar earners rallied in later trading. ICI closed 11 down at 1074p in light trading. Dealers said sterling's fall against the D-Mark as well as a small bear squeeze contributed to the relatively modest fall.

Glaxo, by contrast, enjoyed little support and struggled to close off the day's low of 954p. In the end the price finished 15 worse at 958p as barely 1m shares changed hands.

Beecham held up well against the trend, closing just 3 down at 462p, with one marketmaker prominent in supporting the stock. Elsewhere, Hanson shaded ½ to 142p in turnover of 6.7m and Fisons gave up 7 to 267p.

The extremely competitive nature of marketmakers in the insurance sector over the past week developed an even sharper edge yesterday when BZW initiated a move to narrower trading spreads in life assurances and composites.

BZW's action was quickly followed by UBS Phillips & Drew and Smith New Court, hut was resisted by County NatWest. SBCI Savory Milln responded by reducing the size of bargain it is prepared to make prices in.

Trusthouse Forte revealed its interim statement on an unfortunate day. Mid-term profits were slightly higher than most expectations but the absence of a property revaluation, which had been mooted, touched off profit-taking after Friday's good rise.

The reaction gathered pace wheo analysts returned unimpressed from the ensuing meeting with the group. Many regarded the shares a hold only and the price fell further to settle a net 10 lower on the day at 254p.

Life assurances mirrored the overall market bnt rallied strongly at the close amid fresh bid talk and also on news that Scottish Widows, one of the biggest pension groups in the UK, had experienced record personal pension sales in the first half. Abbey Life rose 4 to 317p, having been 310p early on, while Legal & General edged up 2 to 306p.

Composite insurer Commercial Union dropped 13 to 380p as Adsteam revealed it had reduced its stake by some 500,000 shares to 33.2m shares or 7.88 per cent; but dealers were also suggesting Adsteam's move could have been made to shake out some of the recent speculative buyers in the stock. In relatively thin trading General Accident lost 10 to 880p and GRE 15 to 945p.

Brokers showed Willis Faber 5 to the good at 273p in the wake of an institutional buying order.

The building market mirrored the prospect of higher interest rates and dropped swiftly mid – morning before staging a tentative rally late in the session.

BCI were well supported as the day wore on and closed only 3 easier at 421p reflecting a general mood of optimism that the cement price increases announced by Castle and, last week, the Rugby Group, will be followed by a similar move by BCI this week.

Stead & Simpson provided some relief in the Stores sector, going against the trend after the release of new bid terms from property developers Clayform. The new offer valued the company at £108m and impressed the market enough to push S&S np 9 points at midday. It predictably failed to impress the hoard of S&S, which unanimously advised shareholders to reject the offer. News of the rejection hrought S&S "A" shares back to close 3 better on 136p while the ordinaries maintained their position to end the day up ¼ on £14½.

Woolworths rallied briefly on the news of its acquisition of 15 Connect stores in Northern Ireland, bought from Granada through its Comet subsidiary for £2.3m. However, the undercurrent of the market was too strong and Woolworths were dragged down 7 to 281p.

The electronics aector "behaved extremely well" according to dealers who reported only minor selling of the leaders, ahead of a number of major news announcements expected this week, including the Defence Select Committee report on defence spending.

Racal, turnover 3.6m, settled e shade off at 345p in front of the preliminary figures – expected to be in the region of £135m against £100m – and more importantly details of the Vodafone flotation. GEC, rumoured to have recently picked up a stake in Racal, lost 4 at 155p on turnover of 6m; Kleinwort Grieveson are going for £715m when GEC reveals full – year figures on Wednesday.

Atlantic Computer jumped 7 more to 356p, still buoyed by the "buy" recommendation issued by Chris Tucker of Kleinwort Grieveson. Talk of a possible joint venture with IBM boosted CAP 5 to 305p.

Well-known nemes such as GKN, down 12 at 314p, and Hawker Siddeley, 8 lower at 582p, were among a long list of sizeable falls in the Engineering sector. TI dropped 7 to 340p and Vickers slipped back 9 to 161p. Few stocks resisted the trend but Carclo moved up 6 to 160p following news that the preliminary statement would be announced early next month.

J.Sainsbury led major Food stocks lower, losing 6 to 221p while Tate & Lyle gave up 11 at 804p. Borthwicks were one of few issues to escape the downturn, bounding 9 to 68p on reports that Polly Peck has built up a near-disclosable stake of 5 per cent.

The dismal performance of Savoy Hotel shares since Trusthouse Forte expressed a desire to sell its sizeable holding continued, the "A" falling 62 more to 898p.

Dowty produced better-than-expected figures and excellent earnings prospects and the shares responded by adding 7 to 199p, after 200p. Oakwood Group jumped 45 in a thin market ahead of today's interim figures, closing at 620p. Boots gave up 5 to 218p with the market, despite announcing a breakthrough in Legionnaire's Disease detection.

Bnsiness in Traded Options was quiet early on but picked up after the trade figures, with FTSE stocks traded beavily. In total 22,425 calls and 8,946 puts were traded during the day, totalling 32,371 contracts. BP was the most popular stock with 3,271 calls but only 212 puts, followed hy Racal with 2,510 calls and 620 puts.

Traditional Options

- First dealings June 13
- Last dealings June 24
- Last declarations Sept 15
- For Settlement Sept 24

For rate indications see end of London Share Service

Calls were taken out in Burmah, Norfolk Capital, Ovoca Gold, RTZ, Cambridge Instruments, INOCO, Abbey Life, Kelt Energy, Wembley, Cadbury Schweppes, AAH, Virgin, Borthwicks, and Astra Holdings. A put was transacted in INOCO and a double in Norfolk Capital.

FINANCIAL TIMES STOCK INDICES

	June 27	June 24	June 23	June 22	June 21	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.98	88.45	88.82	89.15	89.10	90.41	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.61	97.83	98.02	97.99	98.13	97.04	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1468.1	1494.9	1496.7	1496.5	1481.6	1784.6	1496.7 (23/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	211.0	213.3	214.1	215.7	215.9	380.7	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.3 (26/10/71)
Ord. Div. Yield	4.53	4.45	4.44	4.45	4.50	3.20				
Earnings Yld. % (full)	11.62	11.40	11.38	11.14	11.55	7.74				
P/E Ratio (net)(*)	10.49	10.69	10.71	10.69	10.56	15.90				
SEAQ Bargains (5pm)	26,221	24,338	28,183	24,746	21,760	47,585				
Equity Turnover (£m)	-	2659.42	1537.32	1075.98	955.98	4199.79				
Equity Bargains	-	27,995	30,596	27,142	24,865	62,461				
Shares Traded (ml)	-	597.7	573.1	443.1	395.3	820.2				

S.E. ACTIVITY

Indices	June 24	June 23
Gilt Edged Bargains	112.1	128.4
Equity Bargains	181.4	198.3
Equity Value	3375.4	3107.2
5-Day average		
Gilt Edged Bargains	112.0	113.8
Equity Bargains	175.6	182.4
Equity Value	2809.4	2194.2

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1489.7	1489.4	1488.6	1475.5	1466.6	1465.2	1467.5	1469.4

Day's High 1489.7 Day's low 1464.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil – 10.39.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (134).

AMERICANS (34) CANADIANS (17) BANKS (2) Security Pacific, Wells Fargo, BREWERS (2) Burtonwood Brewery, Marston Thompson, BUILDINGS (3) Ashtead Group, McLaughlin & Harvey, Wilson Bowden, CHEMICALS (3) Akzo, Engelhard, Novo Inds, STORES (3) Gent (S R), Upton (E.), Wilding Office Equipment, ELECTRICALS (7) Automated Securities, Black & Decker, Bilck, Lec Refrigeration, Motorola, Philips Lamp, Telefonica, ENGINEERING (8) Beauford, Chamberlin & Hill, GEI Intl., Haden MacLellan, Hall Eng., S.K.F. AB, FOODS (2) BSN, Jacob (W. & R.), INDUSTRIALS (15) AGA AB, Billam (J.), Cannon Street Invs., Cathay Pacific, Dover Corpn., Esselte, Fuel Tech., Hutchinson Whampoa, Ropner, Do. A., St. Gobain, Security Services, Sothebys Hldgs Inc. A, Southern Business Group, Swire Pacific, INSURANCE (4) Alax & Alex, Marsh & McLennan, Torchmark, USLIFE, LEISURE (4) Bond Media, Classic Thoroughbreds, Quadrant Group, Saga Holidays, MOTORS (1) General Motors, NEWSPAPERS (1) Home Counties Hldgs., PAPERS (2) Abbott Mead Vickers, Lopex, PROPERTY (1) Intl. Income Property, SHIPPING (2) Gotaas-Larsen, Turnbull Scott, TRUSTS (14) OILS (3) Exxon, Hamilton Oil, Norsk Hydro, Sceptre Res., Woodside, OVERSEAS TRADERS (1) Sime Darby, PLANTATIONS (2) Harrisons Malaysian Plants., Assam Dooars, MINES (1) Hill Minerals, THIRD MARKET (2) Unit Group, Video Tape Recording.

NEW LOWS (81).

BRITISH FUNDS (27) LOANS (11) CHEMICALS (1) Chemoxy Intl., STORES (4) Field (Mrs.), Menzies (J.), Tie Rack, Usher (Frank), ELECTRICALS (3) Neotronics Tech., Questel, Ran Data Corpn., FOODS (1) Park Food, INDUSTRIALS (3) Hawtal Whiting, Monks & Crane, Shiloh, INSURANCE (1) Windsor, PAPERS (1) Moorgate Group, PROPERTY (1) F.S.M. Properties, TEXTILES (1) Haggas (John), TRUSTS (3) TR Tech, Stepped Prf., Brit. & Comm. 4.75pc Cv. Rd. Prf., Nat. Home Loans 7½pc Cv. Prf., OILS (1) Sandpiper Oil, MINES (3) Buffels, Elsburg, Western Areas.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	2,100	General Accident	424	Prudential	2,400
Allied-Lyons	1,200	General Elect.	6,000	Racal	3,600
Amstrad	1,000	Glaxo	1,000	Rank Org.	157
Argyll Group	824	Globe Investment	128	RMC	473
Assoc. Brit. Foods	1,400	Granada	632	RHM	834
BAA	548	Grand Met	1,700	Reckitt & Colman	31
BAT	1,800	GUS "A"	285	Redland	396
BET	2,100	Guardian R.E.	199	Reed Intl.	497
BICC	156	GKN	958	Reuters "B"	539
BOC	1,600	Guinness	1,700	RTZ	1,700
BPB Inds	540	Hammerson	250	Rolls-Royce	4,000
BTR	806	Hanson	6,700	Rothmans "B"	423
Barclays	1,900	Hawker Siddeley	119	Rowntree	2,500
Bass	608	Hillsdown Holdings	691	Ryl Bank Scotland	1,100
Beecham	1,200	IMI	2,200	Royal Insurance	569
Blue Arrow	2,000	ICI	2,000	STC	1,500
Blue Circle	859	Inchcape	343	Saatchi & Saatchi	1,300
Boots	1,900	Jaguar	890	Sainsbury	423
Brit. Airways	1,900	Ladbroke	1,000	Scott & Newcastle	684
Brit. Aerospace	3,300	Land Securities	1,500	Sears	2,400
Brit. & Comm.	504	Laporte	127	Shell Transport	[illegible]
British Gas	6,200	Legal & General	3,200	Smith & Nephew	1,500
BP	4,800	Lloyds Bank	540	Standard Chartered	682
Brit. Telecom	3,700	LASMO	816	Storehouse	1,400
Burmah Oil	348	Lonrho	1,000	Sun Alliance	158
Burton	1,300	Lucas	302	T & N	1,200
Cable & Wireless	2,700	MEPC	564	TSB	1,100
Cadbury Schweppes	5,500	Marks & Spencer	2,900	Tarmac	877
Coats Viyella	213	Maxwell Comm.	337	Tesco	1,900
Commercial Union	2,400	Metal Box	1,200	THORN EMI	407
Cons. Gold	715	Midland Bank	662	Trafalgar House	332
Courtaulds	[illegible]	NatWest Bank	[illegible]	Trusthouse Forte	[illegible]
Dalgety	[illegible]	Next	[illegible]	Ultramar	[illegible]
Dee Corporation	[illegible]	Northern Foods	[illegible]	Unilever	[illegible]
Dixons	[illegible]	Pearson	[illegible]	United Biscuits	[illegible]
English China Clays	[illegible]	P & O	[illegible]	Wellcome	[illegible]
Enterprise Oil	[illegible]	Pilkington	[illegible]	Whitbread "A"	[illegible]
FKI Babcock	[illegible]	Plessey	[illegible]	Williams Holdings	[illegible]
Fisons	[illegible]			Wimpey	[illegible]
				Woolworth	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	513	1,269	1,164

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

FIXED INTEREST

PRICE INDICES		Mon Jun 27	Day's change %	Fri Jun 24	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.97	-0.37	121.79	0.37	5.87
2	5-15 years	136.58	-0.65	137.47	-	7.09
3	Over 15 years	146.09	-0.70	147.13	-	6.88
4	Irredeemables	162.16	-0.44	163.88	0.99	7.30
5	All stocks	133.90	-0.57	134.89	0.13	6.68
	Index-Linked					
6	5 years	127.31	-	127.30	-	3.12
7	Over 5 years	120.04	-0.05	120.11	-	1.72
8	All stocks	120.47	-0.05	120.53	-	1.67
9	Debentures & Loans	118.23	+0.04	118.22	0.03	5.98
10	Preference	93.57	+0.06	93.52	-	3.31

AVERAGE GROSS REDEMPTION YIELDS

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA

[illegible]

JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

Japan Radio	1,500		Nippon Denso	1,900	
Japan Steel Wks	693	+18	Nippon Express	1,160	[illegible]
Jap S Battery	663	+8	Nippon Gakki	2,090	[illegible]
Japan Synth Rbr	1,100	-20	Nippon Hodo	3,200	
Jujo Paper	920	+5	Nippon Kayaku	[illegible]	[illegible]

Taiyo Fishery	645
Taiyo Kobe Bank	1,500
Takara Shuzo	930
Takeda	2,630
Tanabe Seiyaku	2,080

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm Prices June 27

Quotations in cents unless marked $.

[illegible]

1—No voting rights or restricted voting rights.

OVER-THE-COUNTER

Nasdaq national market. 2pm Prices June 27

Continued from page 43

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
RoweB	.16a	19 215	9	8¾	9	+ ⅛
Rospich		51 16	19¼	18¾	19¼	
RossStr		13 1921	7	6¾	6¾	+ ¼
Rouse	.52	85 6	22	22	22	− ½
Roylpr		25 5	6¼	6¼	5¼	
RyanF		10 8120	6⅞	6¾	6⅞	− ¼
– S – S –						
SCI Sys		15 3231	13½	12¼	13	+ ⅛
SEI	.05e	24 122	u20½	19¼	20½	+ ¼
SHL Sy s		183	0½	8⅞	8½	
SKF AB1.73e		35	47	46¼	47	+ ¼
Safecrd		6 501	6⅞	6¼	6¾	
Safeco	1.06	7 775	25½	25	25	− ½
StrwbCl	1.10b	8 129	33	32¾	32⅞	− ⅝
Stryker		26 44	22¼	22¼	22¼	
Subaru		1331	6¼	6	6¼	+ ⅛
SuffFin	.10j	72	7½	7⅜	7⅜	
Sumgph		92	14	10⅞	10¾	− ¼
Sumcrp	.40	11 137	22⅝	21⅞	21⅞	− ⅞
SumtB	.72b	11 153	26	22¾	23	+ ¼
SunGrd		29 26	19¼	18¾	19¼	
SunMic		20 3836	37½	37	37⅜	− ⅝
Synbio		250 20	7⅝	7½	7½	− ½
UnTelev		45 1	31¼	31½	31½	+ ¼
UnivFr	.12	14 107	17¼	16¾	16¾	− ¼
UnvHlt		242 208	7¼	7⅛	7¼	
UnvSvg	.40	61 71	u22¼	22⅛	22¼	+ ⅝
– V – V –						
V Band	1e	6 263	15¼	14⅜	14¼	+ ¼
VLSI		47 1888	10⅞	10⅝	10⅝	− ¼
VM Sft		26 468	14½	14	14¼	+ ¼
VWR	.80	13 29	21¼	21	21	
ValidLg		308 889	5⅞	6	6⅛	+ ⅝
ValFSL		8 36	12⅝	12¼	12¼	
Worthg	.44	10 1240	22⅞	22⅝	22⅞	+ ½
Wyman	.80	16 121	14¾	14⅛	14¼	− ¼
Wyse		11 997	20⅜	20	20⅛	
– X – Y – Z –						
XL Dt s		18 107	27⅝	27	27¼	− ¼
XOMA		506	13¼	10	12¼	
X-Rite	.08	10 27	28¼	28	28	− ¾
Xicor		23 1952	10⅞	10	10⅝	− ⅜
Xidex		1523	5½	5¼	5⅜	− ⅜
Xylogic		8 29	10½	10	10¼	− ¼
Xyvan		151	7½	7⅜	7½	
YlowF s	.62	17 174	26⅞	26⅜	26⅜	
ZionUt	1.44	x8	25⅜	24¼	25¼	
Zondvn		51 26	8⅝	8⅜	8½	− ⅛

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Borthwicks	68	+	9
Carclo Eng.	160	+	6
Dowty	199	+	7
Oakwood	620	+	45
Turnbull Scott	720	+	50
Yale & Valor	821	+	28

FALLS

Exch. 13½pc. 1992	£112⅞	−	⅜
Treas. 12½pc.03/05	£121¾	−	⅜
Treas.2½pc.I.L.03	2116⅞	−	⅜
Allied-Lyons	425	−	11
Barclays	480	−	11
Brit. Aerospace	369	−	8
Cadbury Schweppes	407	−	12
Commercial Union	380	−	10
GKN	314	−	12
Glaxo	958	−	15
GUS A	£10⅝	−	½
Greycoat	418	−	14
Peachey Prop.	509	−	10
P & O Defd.	584	−	13
RHM	383	−	12
Rosehaugh	784	−	15
Sainsbury (J.)	221	−	5
Savoy A	688	−	62
Trusthouse Forte	254	−	10
Vickers	161	−	9

TOKYO – Most Active Stocks

Monday, 27 June, 1988

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	145.93m	539	+27
Kawasaki Steel	136.97m	640	+31
SKK	89.05m	564	+10
Nippon Steel	67.98m	575	+5
Nippon Mining	36.62m	700	+15
Sumitomo Metal	35.14m	531	+5
Mitsui Mining and Smelt	15.90m	608	+19
Japan Steel Works	12.99m	693	+18
Fuji Heavy Ind	11.52m	784	+2
Mitsubishi Heavy Ind	11.47m	815	uch

INDICES

NEW YORK DOW JONES

	Jun 24	Jun 23	Jun 22	Jun 21	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2142.96	2148.29	2152.2	2109.17	2152.2 (22/6)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.85	88.74	88.59	88.56	91.25 (3/3)	86.12 (4/1)	–	–
Transport	890.89	890.68	882.77	868.13	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	181.66	181.90	183.68	182.14	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2165.36 (2163.90) Low 2133.53 (2131.59)

STANDARD AND POOR'S								
Composite‡	273.78	274.82	275.66	271.67	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	316.22	317.58	318.54	313.91	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.87	24.85	24.88	24.51	24.88 (22/6)	21.53 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	154.56	155.03	155.35	153.29	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	308.49	308.82	308.59	306.88	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	391.62	391.03	390.53	387.75	391.62 (24/6)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jun 17	Jun 10	Jun 3	Year ago (approx.)
Dow Industrial Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]
S & P Industrial div. yield	[illegible]	[illegible]	[illegible]	[illegible]
S & P P/E ratio	[illegible]	[illegible]	[illegible]	[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO | MONTREAL

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

AUSTRALIA | AUSTRIA | BELGIUM | DENMARK | FINLAND | FRANCE | GERMANY | HONG KONG | ITALY | JAPAN | NETHERLANDS | NORWAY | SINGAPORE | SOUTH AFRICA | SPAIN | SWEDEN | SWITZERLAND | WORLD

[illegible]

**Saturday June 25: Japan Nikkei 27556.21 and TSE 2162.67

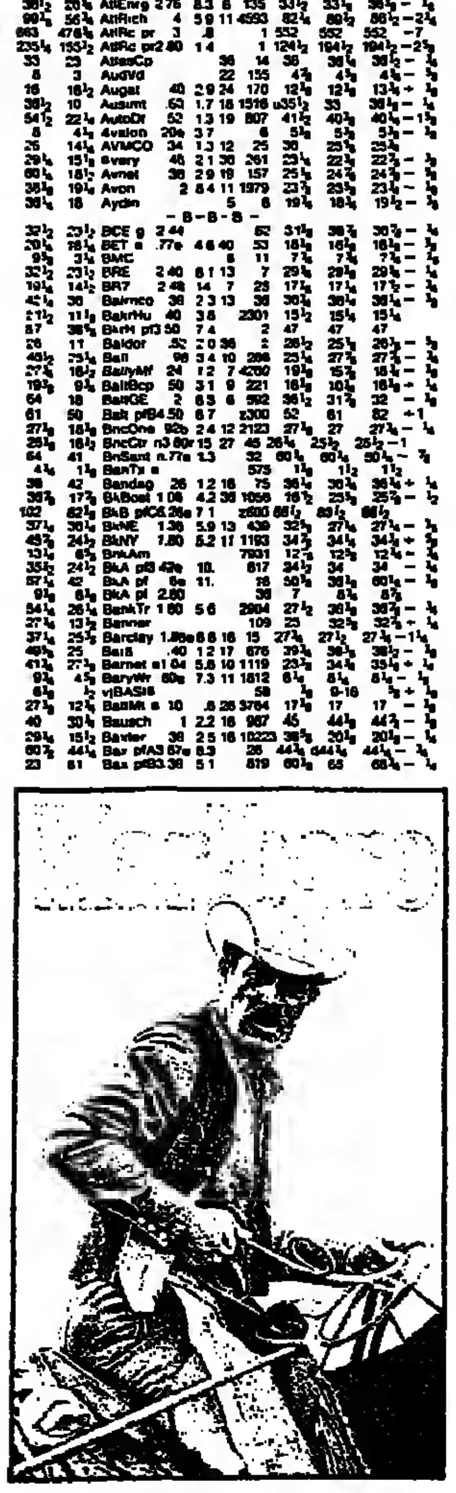
♦ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Closing Prices June 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
26	14	AAR s	.36	1.4	21	46	26	25⅛	25⅛	— ⅛
12⅛	8¾	ACMIn	n1.19e	10.		135	11⅝	11½	11⅝	+ ⅛
12½	10⅜	ACMSe	n1.20	11.		372	11¼	11⅛	11¼	+ ⅛
10⅛	9¾	ACMSp n				364	9⅞	9¾	9⅞	
27⅞	10½	AGS			31	1746	27⅝	26⅞	27½	+ ⅛
7⅞	2⅞	AMCA				614	4⅝	4⅛	4⅛	— ½
8½	2⅜	AM Intl				23600	5	4½	4⅝	+ ⅜
60⅞	17	AM Int pf	2	9.6		165	21	18⅞	25⅞	+1⅜
65½	26⅜	AMR			12	2075	46⅛	48	48	— ⅞
27¼	25	ANR pf	2.67	11.		2	25⅞	25⅛	25⅞	— ⅝
11⅛	5⅜	ARX			11	108	6½	6⅝	6⅛	
72⅞	40⅛	ASA	3	7.9		770	43	42⅛	42⅜	— ⅜
32⅞	9½	AVX	.05e	.3	14	631	18	16½	18⅜	+ ⅝
66⅞	40	AbtLab	1.20	2.7	16	10265	45⅞	43⅜	44⅞	+ ⅞
28	15⅛	AbtWbi g	1			35	19	18⅜	18⅞	— ⅛
18¼	8½	AcmeC	.40	5.4		325	11⅜	11⅜	11⅜	+ ⅛
10½	6⅝	AcmeE	.32b	4.7	21	10	6⅞	6⅞	6⅞	
22	14⅛	AdaEx	3.05e	19.		82	16	15⅞	16	
19⅛	6⅞	AdamMl	.24	1.5	13	22	16⅛	15½	15⅝	— ⅛
24⅞	7½	AMD				2691	16¼	16	16	— ⅛
60¾	60¼	AMD pf	3	7.1		112	42⅛	41⅞	42¼	+ ½
11⅞	4⅛	Adobe			12	1934	8	7⅜	7⅜	— ⅛
20⅛	16½	Adob pf	1.84	10		9	18½	18	18	— ¼
15⅛	5⅞	Advest	.15	1.6	9	69	6⅜	6⅛	6⅛	— ¼
64⅛	38½	AetnLf	2.76	6.2	8	1347	45⅞	44½	44½	—1
63½	41	AflPub	.40b	.7	48	97	57⅜	57	57	— ⅞
23⅛	13	Ahmans	.88	5.6	11	724	16⅞	16	16⅛	— ¼
4⅛	1⅜	Aileen				3	3⅛	6⅛	6⅛	
53⅞	29	AirPrd	1.20	2.4	14	2069	32	49⅞	50⅛	—1⅛
33½	11⅛	AirbFrt	.60	3.2	30	174	19⅛	18⅞	18⅞	— ¼
16½	6⅜	Airgas			17	45	13⅜	15½	13⅜	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 43

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
88	71	PSEG pf7.18		10.		z200	79	77	77	− ¼
87½	71	PSEG pf7.80		9.7		z1200	80¼	75½	80¼	+1
3⅞	1⅛	Publick				6	2	1⅞	1⅞	
39⅜	18½	PR Cem	.50e	1.3	6	4	38⅝	30¼	38⅝	+ ⅜
21⅞	17⅜	PugetP	1.76	6.8	19	457	18⅛	18⅛	18¼	+ ⅛
9⅞	3¼	Pullmn	.18	2.1	16	1427	8⅞	3½	8⅞	
19⅛	9⅛	PHICB n.85		10.		200	6¼	6	6⅛	
18	19	PIGIT n				6882	18	10	18	
10⅛	9⅞	PMIIT n1.03		10.		861	9⅞	9⅝	9⅞	
10⅛	9¾	PMIT s 1.10		11.		479	9⅛	9½	9⅛	
19⅛	9⅜	PPrIT n1.14		12.		1223	9⅛	9⅞	9⅛	
7⅞	3⅝	Pyro			18	116	5⅞	6⅞	5⅞	− ⅛
20½	7½	QMS			11	765	9⅛	8⅞	8⅞	− ⅜
4¼	1	Quantel			2	11	1½	1⅜	1½	
37⅛	31½	QuakrO	1	2.3	18	1486	44½	43⅞	43⅞	− ⅛
25½	12⅞	QuakSC	.80	3.4		2850	23⅞	20⅞	23½	+ ⅛
14⅛	4¼	Quanex			12	308	18⅞	18⅛	15⅞	− ⅛
102¼	45	Quantm	2.20	2.2	19	784	99½	98	90¼	− ¼
11	7½	QstVl	.96	8.7		184	18⅛	10	10⅛	
18⅛	4⅞	QstVC	.77e			186	6	7¼	7⅞	
46⅜	26½	Questar	1.88	5.6	21	128	34½	34¼	34⅜	− ⅜
24¼	19	QkReily	.24s	2.0	7	330	12¼	11⅞	18	
− R − R − R −										
19¾	4½	RBInd				28	7⅝	7½	7¼	+ ⅛
71¼	34½	RJR Nb1.92		4.1	10	4381	47¼	47	47¼	− ¼
129	113	RJR pf11.50		10.		1	113½	113½	113½	− ½
11¼	4⅝	RLC	.20	2.0	6	308	10⅛	9⅞	10	+ ¼
16½	7	RLI Cp	.32	3.3	5	18	9¾	9¾	9⅛	
7¼	13-32	Radice				95	⅛	½	¼	
94	27⅛	RalsPur	1.50	2.0	14	1086	76⅛	74½	75¼	−1⅜
8½	4	Ramad				979	8	7⅞	7⅞	− ⅛
6¼	3⅛	RangrO			21	1365	6	6⅞	3⅞	− ⅛
54⅛	29⅞	Raycm s.24		.5	17	636	50⅛	49¼	49⅞	− ⅛
20¼	8⅝	RJamFn	.14	1.8	11	85	19¼	18	19	+ ½
20¼	14⅝	Rayonr	2.60	13.	8	23	20⅛	19⅞	19⅞	− ⅛
13	8	Raytch	.05e	.9	64	5	8⅞	5⅞	5⅞	+ ⅛
84⅞	27⅛	Raythn	2	3.1	10	892	60⅞	65⅛	65⅛	− ⅜
7⅛	1¼	ReadBt				1486	1⅞	1¼	1¼	
13⅝	2¼	RdBat pf				5	4¼	4¼	4½	
10	2	RdBt pfA				1	2⅞	2⅞	2⅞	+ ⅜
20½	14⅛	REIT	1.64	8.7		x81	18½	18⅞	18½	+ ¼
20½	9⅛	RecnEq			13	501	7⅞	7½	7⅞	+ ⅛
12	6⅛	Redmn	.60	5.1		189	7⅞	6⅞	7½	+ ⅜
20	7	Rebok s	.30	1.8	19	2527	16⅛	15¼	15¼	− ½
2½	13-32	Regal				92	7-16	13-32	13-32	
7⅞	4¼	RegIFs	.25e	3.8		173	6⅝	6½	6½	+ ⅛
17⅞	11	ReichTg	1.76	11.	10	154	15⅝	13⅞	15½	− ⅛
11½	4½	ReiGrp	.24	4.8	4	78	5	5⅞	5	+ ⅛
[illegible]										
− X − Y − Z −										
65	55	Xerox	3	5.5	10	2830	65½	34½	34½	− ⅛
35¼	18⅛	XTRA	.64	2.0	19	13	61⅛	51⅞	51⅞	− ¼
20½	18½	XTRA pf1.94		7.2		108	27¼	27	27⅛	+ ⅛
50½	17¾	Yorkin			16	14253	u55⅛	56	55½	+5⅛
7¼	2¼	Zapata				140	3	2⅞	2⅞	− ⅛
27	13½	Zayre	.40	1.6	11	2358	36⅞	36¼	20⅞	− ⅜
33⅛	18	ZenithE				4080	28⅛	27¼	27⅞	− ⅞
10¾	10	Zenin n	.06e	.5		328	10⅛	10	10⅛	
10¾	1	vjZenLb				382	1¼	1	1¼	
24	13½	ZenNtl	.80b	3.5	11	182	22⅞	23⅛	22⅛	+ ⅛
20¼	11⅞	Zero	.40	2.7	14	800	14⅞	14⅞	14⅞	
36⅛	12	Zurmin	.66	3.5	13	228	20⅞	20½	28½	− ⅛
11¼	7¼	Zweig	1.05e	8.7		493	11	10⅞	10⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 32 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing Prices June 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

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OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 27

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 41

AMERICA

Dow slips on profit-taking as dollar reverses course

Wall Street

CONCERNS about rising world interest rates and a decline in the dollar after reports of US Federal Reserve intervention left equities and bonds vulnerable to profit-taking yesterday, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 14.4 lower at 2,128.56. Volume was heavy, boosted partly by stock index arbitrage shortly after the market opened but mainly by active trading in three stocks about to go ex-dividend.

US bond prices were quoted as much as ⅝ point lower at midsession with the Treasury's benchmark long bond down 18/32 point to yield 8.898 per cent.

The focus of attention in both markets remains interest rates. The US Federal Reserve's policy making Open Market Committee meets amid expectations that monetary policy will be kept on hold but economists believe the Fed may authorise further tightening to be put in place if there are clear signs of inflationary pressures building up.

The target for the Fed Funds rate may already have shifted from the 7¼ per cent to 7½ per cent range which seemed to be in place recently. Fed Funds traded above 7½ per cent for most of last week and even erred towards 7¾ per cent towards the end of the week.

Given evidence that the pace of growth in the economy has slowed down, the Fed's comfort level on the inflation front has probably risen.

Other positive background factors are the last two sets of US trade figures, which seemed to indicate a genuine underlying improvement, and a robust performance by the dollar.

The bond rally last week came mostly on overseas demand, rather than domestic, and foreign buying was also reported in the equity market, suggesting that the stronger dollar was actively encouraging flows into US markets.

Yesterday, the dollar declined from earlier highs of Y131.70 and DM1.8300 after the US Federal Reserve was reported to have intervened, selling dollars in New York. This was one factor undermining both equities and bonds.

By midsession, 190m shares had traded on the New York Stock Exchange. The bulk of this was accounted for by extremely heavy trading in Southern California Edison which carries a 7.2 per cent dividend yield and goes ex-dividend today. Trading was also heavy in two other stocks due to go ex-dividend today - Northern States Power and Transamerica.

Equity traders said activity was otherwise almost non-existent.

Among other featured stocks yesterday were Fort Howard, the manufacturer of sanitary paper products, which had jumped $3⅞ to $53⅛ by midsession on news that it had agreed to be taken over for $53 a share in a leveraged buy-out by members of its senior management and an affiliate of Morgan Stanley.

Corning Glass Works rose $1½ to $57 after the company announced second quarter net income from operations of $1.80 a share compared with $1.13 a year earlier. The latest results include a gain of 44 cents a share from the sale of stock.

Commercial Metals slumped $2⅝ to $27¼. The company said its Karchmer Iron & Metals subsidiary was being investigated by Federal authorities for alleged violations of environmental laws at one of its plants.

System Integrators, the manufacturer of text editing equipment, rose $1¼ to $7⅛ after the company's chairman, who already owns 43 per cent of the common stock, said he was offering $7.25 a share for the rest.

Pacific Gas & Electric dropped $⅝ to $15¾. The company said its 1988 earnings will virtually be wiped out because of a $500m charge the company will take in a write-off related to its Diablo Canyon nuclear power plant. It cut its quarterly dividend to 35 cents a share from 48 cents.

Canada

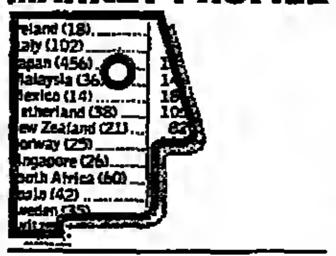
INVESTORS sold golds, energy stocks, industrials and base metals as the US dollar declined, leaving Toronto stocks lower at midsession.

The composite index was 21.60 lower at 3,428.40.

Dome Petroleum lost 3 cents to C$1.37 as former Dome chairman Jack Gallagher dropped his legal challenge to Amoco's proposed purchase of Dome. BCE, which saw its Bell Canada division hit by a strike, declined C$⅛ to C$37⅞.

Falconbridge was down C$¼ at C$26¼. This week, the Ontario Securities Commission holds a hearing on its bid for a controlling stake held by Placer Dome. Noranda, which was down C$¼

MARKET PROFILE



Switzerland

Share registration rules under fire

THE SWISS equity market comprises three stock exchanges, Zurich, Geneva and Basle, which are now linked by a computerised closed-circuit quotations display system, with plans to create a fully electronic tripartite trading base.

It claims to be the fourth largest in Europe in terms of market capitalisation after the UK, Germany and France, and the third or fourth in trading volume. This latter affirmation is dubious as Swiss statistics, based on cantonal tax returns, lump together trading in equities, bonds and over-the-counter business.

Market capitalisation currently stands around SFr180bn ($120bn), with 526 Swiss and foreign stocks listed in Zurich, which has by far the largest turnover.

The market is dominated by a few heavyweights, with the shares of eight companies – led by Nestlé and Union Bank of Switzerland – accounting for more than half the total.

An important feature of the market, highlighted in recent arguments over the bids for Rowntree of the UK by two Swiss groups, Nestlé and Jacobs Suchard, is the virtual ban on the purchase by foreigners of registered shares in Swiss companies.

To ensure against takeovers, most Swiss corporate statutes allow their boards to refuse to register shares held by foreigners or other unwanted outsiders. The result is significant differences between registered and bearer shares in nominal value, tradability, and, often, voting rights. A third share category, participation certificates, which were issued en masse in the two years before the October 1987 crash, usually carry no voting rights.

Swiss politicians, pension fund managers and even stock exchange authorities, foreseeing demands for reciprocity in financial practices from the European Community when its single market comes into being, have begun to call for change.

The Swiss maintain the open outcry or auction system even when they build new exchanges, as Geneva and Basle have just done.

The tripartite bourse association, however, has ambitious modernisation plans. The three exchanges have a closed-circuit link displaying quotations at dealers' desks and a trade-matching system already in place. A planned computer-assisted trading system for bonds, which are traded on all three exchanges, has just been abandoned. Instead the three exchanges are aiming for a fully electronic securities market by the early 1990s. This ambition has been reinforced by the successful launch in May of Soffex, the wholly electronic Swiss options and financial futures exchange.

The banks act as floor brokers. The Swiss settlement system is fast, and big investors took advantage of this feature to realise cash in a hurry during the October crash. Cash deals are settled three business days after the transaction date and physical delivery is effected through the Swiss Interbank Clearing system, SEGA.

This year the three exchanges have started to co-ordinate trading hours. Business starts over the counter at 9.30 am, with official trading coming in at 10.30 am. It continues until all listed stocks have been called, usually between 1 pm and 1.30 pm, but can be prolonged if the volume is heavy. There is no regular after hours trading on the floor, but there can be lively telephone and telex trading in the afternoon.

The rate of withholding tax on dividends is 35 per cent, recoverable by investors whose countries have double taxation agreements with Switzerland.

Investors buying or selling shares or bonds pay a federal stamp duty of 1.5 per cent of the market value of the transaction for foreign securities and 0.75 per cent for Swiss securities.

● This is the first in a series of market profiles that will run during the summer. Amsterdam will be featured tomorrow.

William Dullforce

STOCK MARKET FACT CHART
ZURICH

Market capitalisation: SFr180.5bn ($1 = SFr1.51, £1 = SFr2.60)
Number of shares listed: 301 Swiss, 225 foreign
Top 10 stocks, percentage of market: 59.5%
Trading hours: official - 10.30am - 1/1.30pm; after hours - Individual stocks if requested
Average daily turnover, 1988: SFr2.2bn (covers all securities)
Main indices: Swiss Index, Swiss Bank Corporation General, Crédit Suisse Global
Current level of index (Crédit Suisse): 470.1; 1988 high: 472.2 (23/6); 1988 low: 406.8 (4/1)
Settlement: cash - three days after transaction
Address: Effektenbörsenverein, Bleicherweg 5, 8001 Zurich. Tel: (41 1) 229 2111.

SOUTH AFRICA

A WEAK bullion price and weak financial rand ensured uncertain trading in Johannesburg. Gold share prices remained largely static, a trend followed by the rest of the market.

Losses in Driefontein and Kloof, off 75 cents at R31.75 and 50 cents at R28.50 respectively, mainly reflected ex-dividend factors. Among quality issues, Vaal Reefs closed up R3 at R250, but Randfontein lost R4 to give R250.

Industrial group Rembrandt's expected restructure pushed up Remgro shares 70 cents to R14.70.

ASIA

Inflation fears push Nikkei lower

Tokyo

THE DOLLAR'S rise above Y131 re-ignited inflation fears in Tokyo yesterday and dampened buying interest, sending the Nikkei average sliding further down, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei ended 121.20 lower than Saturday's close at 27,435.01 after moving between a high for the day of 27,598.14 and a low of 27,385.62. The average has declined by 907 points, or 3.2 per cent, since the present downturn began seven trading days ago.

Volume yesterday shrank from Friday's 1.57bn to 941m shares. Declines outnumbered advances by 543 to 305, with 189 issues unchanged.

It was the final day of trading for June settlement and this left investors inactive. Another unfavourable factor was the surge in the dollar above the Y131 level on the Tokyo foreign exchange market for the first time in about four and a half months.

The US currency's strength added to concern over inflation and the prospect of higher interest rates.

The stock market was also hit by sharply lower bond prices, triggered by speculation that the Bank of Japan may soon guide short-term interest rates higher.

Trading was lacklustre in the morning, but turned more active in the afternoon on sharp gains in two large steel issues – Kobe Steel and Kawasaki Steel – due to buying by investment trusts. Buying interest later spread to other steels and to shipbuildings.

Some non-ferrous metal stocks also attracted popularity on higher prices for the commodity; Nippon Mining gained Y15 to Y700.

High-technology issues stayed sluggish in small-lot selling.

Bonds tumbled on the likelihood of higher interest rates, with the yield on the bellwether 5.0 per cent government bond due in December 1997 surging above 5 per cent.

Dealers stepped up selling of futures and cash bonds for hedging purposes amid the growing likelihood that the Bank of Japan will tolerate higher commercial bill discount rates.

The yield on the benchmark issue climbed from last Saturday's 4.930 per cent finish to 5.000 per cent briefly in block trading on the Tokyo Stock Exchange, closing at 4.990 per cent. It later rose further to 5.030 per cent in inter-dealer trading.

Osaka Securities Exchange stock prices continued falling in inactive trading, with the OSE stock average ending 91.40 points lower at 27,782.58, on a volume of 87.12m shares.

Singapore

LIGHT profit-taking and an absence of institutional buying led shares lower, with the Straits Times industrial index easing 4.74 to 1,077.95.

Turnover was smaller than on Friday, at 47.5m shares against 58.6m.

Activity focused on Malaysian speculative stocks and low-priced issues. Promet saw the most trading, rising 1 cent to 45½ cents, with 2.7m shares changing hands.

Hong Kong

THE rise in domestic interest rates on Saturday, to their highest this year, hit share prices, especially in the property sector.

Sentiment was affected also by the fall in Tokyo and the Hang Seng index lost 17.9 to 2,639.66.

In properties, Sun Hung Kai Properties dropped 50 cents to HK$11.40, New World 90 cents to HK$11.50 and Cheung Kong 10 cents to HK$7.85. Hongkong Land eased 5 cents to HK$7.70.

Attention switched to utilities, with China Light finding 10 cents to HK$18.10.

Australia

LATE buying pulled prices up from early lows and equities closed marginally weaker, with the All Ordinaries index easing 7.2 to 1,557.2.

Mining stocks were the hardest hit in response to the drop in bullion prices. In golds, Emperor lost 14 cents to A$3.06, Renison 10 cents to A$9.70 and BHP Gold 2 cents to 87 cents.

News of a scrip takeover bid by Poseidon, down 2 cent at A$2.44, led to gains for Anglo American.

High-technology company Sarich Technology Trust rose 20 cents to A$4.35 before being suspended pending confirmation of an order by Ford of the US.

EUROPE

Trading hit by interest rate worries

WORRIES over higher interest rates, the dollar and company results hit turnover and share prices in most European bourses yesterday, *writes Our Markets Staff.*

FRANKFURT drifted quietly lower after Friday's sharp gains as concern set in about the dollar's continued rise and the possibility that the Bundesbank will increase the discount rate at its Thursday meeting.

The frantic short-covering that helped send Siemens surging on Friday gave way yesterday to a much-needed breather.

The FAZ index shed 0.33 to 475.39 in fairly low volume, with foreign investors mainly out of sight. UK institutions are said to be awaiting consolidation to slightly lower levels before they move back into a market now seen as fundamentally sounder than at the start of the year.

Siemens gave up DM7.40 of its DM17.50 jump on Friday to close yesterday at DM405.10, while Deutsche Bank lost DM6 to DM433.50, taking other banks lower. Cars were mostly soft, but Porsche held steady at DM519 after confirming it was stopping production of the 924, its smallest and cheapest model.

Utility RWE edged up DM1 to DM219 after receiving the go-ahead from the federal cartel office to take over the West German subsidiary of Texaco of the US.

Bonds fell to eight-month lows amid selling on the strength of the dollar, but trading was thin. The yield on the 8¼ per cent 1998 federal bond rose to 6.73 per cent from 6.68 per cent.

PARIS had a quiet day and closed little changed, with only a few select stocks seeing good demand.

Volume was low at an estimated FFr700m-FFr800m, in spite of the return to normal trading after last week's strikes by bourse employees. One analyst referred to the session as being "pretty indifferent."

Concern over leisure group Club Méditerranée, which forecast a sharp fall in interim profits, pushed the stock down FFr16.50, or 3.3 per cent, to FFr478.50. Sugar producer Béghin-Say, which predicted higher annual group profits, eased FFr1 to FFr460. And non-ferrous metals group Penarroya, which said it expected to stay in profit this year if metal prices and exchange rates remained at their present levels, fell FFr3.40 to FFr69.10.

Cérus, the French arm of Italian financier Mr Carlo De Benedetti, lost FFr25.90 to FFr491.10 after news late last week of a pact with Suez over Société Générale de Belgique. Suez eased FFr5.50 to FFr208.

The CAC General index was unavailable because of last week's strike, and the EFX 50 eased 2.34 to 353.32.

MILAN ended little changed as the market consolidated the gains it has seen since the monthly account began on June 16. The MIB index was steady at 1,057 after a strong start was eroded by profit-taking.

Generali closed L150 higher at L87,650 but eased back to L87,400 in after hours trade before its annual general meeting today. Fiat added L91 to L9,260.

MADRID edged upward as foreign investors sought Telefónica stock to gain from the strength of the dollar against the peseta by buying in Madrid and selling on Wall Street. The general index gained 0.71 to 297.88.

Telefónica closed up 2.50 percentage points at 198.75 per cent of par. In banks, Banesto rose 6 to 1,405 of par after news that possible obstacles to its merger with Banco Central had been resolved. Banco Central was unchanged at 1,210.

AMSTERDAM ended lower in moderate trade as fears over the possibility of higher interest rates overshadowed the good news for the market of a firmer dollar.

The CBS all share index fell 1 to 91.4 as the profit-takers appeared.

International favourites which rose last week on the dollar's strength saw selling, with Philips easing 80 cents to Fl 31.90 and Royal Dutch Fl 2 to Fl 229.80.

ZURICH saw listless trading amid investor concern over Wall Street's easier tone on Friday. The Crédit Suisse stock index lost 1.7 points to 470.1.

Holding companies were mixed, with Adia bearer gaining SFr75 to SFr8,500 after an announcement that its US division planned a 1.1m share issue.

Among machineries, Asea Brown Boveri ended slightly up on the day after early losses: it said it had won a Saudi order for four gas turbine units.

BRUSSELS eased on continued profit-taking, with the forward market index falling 75.7 to 4,988.4.

Recent favourite Petrofina lost BFr300 to BFr13,300, with 20,000 shares changing hands after recent rumours of stakebuilding. Chemicals were lower as investors sold for profit, and Solvay lost BFr150 to BFr13,025.

Tractébel saw strong demand, however, based on its fundamentals, rising BFr50 to BFr7,200.

STOCKHOLM followed the main global stock markets down in dull trading, with the Affärsvärlden index falling 3.6 to 856.5.

Trading was suspended in cement and building materials company Euroc and in industrial group Componenta, at their request, pending an announcement tomorrow.

Restricted A shares in carmaker Saab-Scania lost SKr3 to SKr194 after last week's news of an almost 40 per cent drop in four-months profits.

HELSINKI closed slightly higher, reversing falls in the previous four trading days. The Unitas all-share index gained 0.1 points to 721.2. Turnover was a low FM61m.

London

NEWS of the far worse-than-expected UK trade figures sent share prices into a virtual free fall, with the market ignoring the potentially positive effects of the falling pound.

An attempt by blue chips to rally on the stronger dollar failed as Wall Street opened weakly and the FT-SE 100 index lost 29.8 to 1,841.5, with property and consumer sectors hit by fears over higher interest rates.

FT-ACTUARIES INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 27 1988					FRIDAY JUNE 24 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	144.34	−1.7	125.65	117.70	3.80	146.83	126.20	118.41	150.35	91.16	133.82
Austria (16)	83.72	−0.6	72.89	79.09	2.60	84.25	72.41	79.07	98.18	83.72	85.79
Belgium (63)	119.51	−1.3	104.04	112.88	4.46	121.05	104.04	113.29	139.89	99.14	120.86
Canada (125)	126.99	−1.5	110.55	111.03	3.03	128.91	110.79	112.25	128.91	107.06	128.10
Denmark (39)	127.96	−0.7	111.40	120.13	2.42	128.89	110.77	120.12	132.72	111.42	117.35
Finland (25)	132.57	−0.6	115.41	119.94	1.75	133.38	114.64	119.18	139.53	106.78	–
France (126)	95.45	−0.8	83.10	91.90	3.53	96.18	82.67	92.26	99.62	72.77	106.59
West Germany (99)	74.94	+0.5	65.24	70.85	2.62	74.55	64.07	70.50	80.79	67.78	96.94
Hong Kong (46)	108.43	−0.7	94.40	108.57	4.21	109.20	93.85	109.36	109.20	84.90	124.92
Ireland (18)	135.50	−1.4	117.96	129.14	3.68	137.39	118.08	130.18	141.54	104.60	131.77
Italy (102)	71.61	−0.5	62.34	72.14	2.78	71.98	61.87	72.09	81.74	62.99	98.29
Japan (456)	162.13	−1.1	141.14	134.10	0.54	163.85	140.83	135.27	177.27	133.61	142.69
Malaysia (36)	151.05	−0.9	131.50	151.22	2.41	152.36	130.95	152.10	152.36	107.83	171.34
Mexico (14)	170.38	+1.6	148.33	425.67	1.17	167.70	144.14	418.98	180.07	90.07	247.82
Netherland (38)	103.56	−1.1	90.15	96.87	4.77	104.75	90.03	97.91	110.66	95.23	122.52
New Zealand (21)	80.32	−1.4	69.93	61.88	5.77	81.45	70.01	60.98	84.05	64.42	98.27
Norway (25)	122.18	−2.1	106.37	109.50	2.76	124.85	107.31	110.32	132.23	98.55	138.57
Singapore (26)	122.71	−0.5	106.83	115.50	2.17	123.28	105.96	115.67	123.33	97.99	146.71
South Africa (60)	121.12	−2.4	105.44	85.82	5.12	124.13	106.68	85.45	139.07	118.16	157.70
Spain (42)	154.17	−0.6	134.22	140.45	3.09	155.09	133.29	140.23	164.47	130.73	123.93
Sweden (35)	117.71	−1.4	102.47	109.17	2.61	119.36	102.58	109.86	125.50	96.92	113.51
Switzerland (55)	79.67	−0.3	69.36	74.36	2.30	79.92	68.69	74.59	86.75	75.60	98.77
United Kingdom (327)	130.50	−2.7	113.61	113.61	4.35	134.15	115.30	115.30	141.18	123.09	149.02
USA (577)	109.86	−1.6	95.64	109.86	3.57	111.67	95.97	111.67	112.27	99.19	125.71
Europe (1010)	105.34	−1.5	91.70	96.17	3.72	106.96	91.93	96.90	110.82	97.01	121.75
Pacific Basin (673)	159.26	−1.1	138.65	132.26	0.74	160.98	138.36	133.38	172.26	130.81	141.62
Euro-Pacific (1683)	137.71	−1.2	119.89	117.84	1.66	139.39	119.80	118.81	147.53	120.36	133.71
North America (702)	110.78	−1.6	96.44	109.95	3.54	112.59	96.77	111.72	113.08	99.78	125.83
Europe Ex. UK (683)	89.67	−0.4	78.07	85.32	3.18	90.07	77.41	85.42	92.99	80.27	104.82
Pacific Ex. Japan (217)	124.73	−1.3	108.59	109.26	3.92	126.38	108.62	109.81	128.15	87.51	128.64
World Ex. US (1882)	137.21	−1.2	119.45	117.42	1.74	138.91	119.39	118.38	146.49	120.26	133.84
World Ex. UK (2132)	126.23	−1.2	109.89	114.89	2.13	127.78	109.82	116.09	131.77	111.77	128.85
World Ex. So. Af. (2399)	126.62	−1.3	110.23	114.96	2.32	128.35	110.31	116.22	132.39	113.26	130.46
World Ex. Japan (2003)	109.57	−1.6	95.38	105.04	3.63	111.31	95.67	106.34	112.43	100.00	124.93
The World Index (2459)	126.59	−1.4	110.21	114.76	2.34	128.33	110.29	116.01	132.38	113.37	130.64

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Index, it was decided to make the following additions to constituents with effect from July 1, 1988: Giant Resources (Australia), Federal Pioneer, Four Seasons, St. Lawrence Cement and Trimac (all Canada); Sampo A (Finland); *Comptoirs Modernes, Ingenico, Pechelbronn (certs. d'inv.) and Taittinger (certs. d'inv.)* (all France), Viag (West Germany); Torras Hostench (Spain), Adolph Coors, Bandag Inc., Bear Stearns, First Fidelity Bancorp, Food Lion, Leggett Platt, Mine Safety Appl., Russell Corp. and Sequa (all USA)

It was also decided to make the following classification change: Navigation Mixte (France) to Div. Financial Hlds.